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PENSIONS & Investment Age

August 22, 1988

The newspaper of corporate and institutional investing

C2719-7
8/25/88

NEW MANAGERS - Ibbotson Capital Mgmt.

Scholar uses timing model

By Barry B. Burr

CHICAGO — Ibbotson Associates Inc., a consulting firm headed by Roger G. Ibbotson, is forming an investment management subsidiary to offer tactical asset allocation, according to key executives.

Mr. Ibbotson will be chief investment officer of Ibbotson Capital Management Corp., Chicago. In the mid-1970s Mr. Ibbotson, with Rex A. Sinquefield, developed the historical rates of return series in stocks, small stocks, bonds, Treasury bills and inflation widely used in performance comparison, asset allocation and forecasting.

Mr. Ibbotson is president of Chicago-based Ibbotson Associates and finance professor at Yale University's School of Management in New Haven, Conn.

Marvin B. Waring, Ibbotson Associates managing director, said the firm plans to apply in the next couple of weeks to the Securities and Exchange Commission to register as an investment adviser.

Mr. Waring, who will also be managing director at Ibbotson Capital, said he expects the new firm will have its first clients, mostly likely Fortune 500 pension sponsors, soon after the SEC authorization.

"We're confident we can get the money," Mr. Ibbotson said. "We're not anxious to take it too quickly" without a reasonable expectation of success.

At the outset, he said the firm will advise clients on the allocation strategy and sell the signals of when and how much to move between capital market asset classes. The clients will implement the strategy themselves.

Mr. Waring said he expects Ibbotson Capital ultimately to implement the strategy directly and manage assets for clients on a discretionary

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NEW MANAGERS - Goldman Sachs Asset Mgmt.

Fixed income shop planned

By Barry B. Burr

NEW YORK — Goldman, Sachs & Co. will begin offering separate account investment management this fall under a newly formed asset advisory unit that will be led by a top fixed-income strategist, executives involved in the new operation disclosed.

Goldman Sachs Asset Management will specialize in fixed income, marketing separate accounts to corporate and public pension sponsors and other tax-exempt funds, said Alan Shuch, partner in charge. Goldman already runs $13 billion in mutual funds for institutional investors only.

Jess B. Yawitz, a leading strategist who helped bring structured fixed-income strategies such as immunization from academic research to widespread institutional use in the past decade, will be the chief investment officer. Mr. Yawitz, who confirmed his appointment, is a vice president and financial strategist at Goldman's St. Louis office.

Mr. Shuch provided the abbreviated details about the new separate account venture. He said Goldman wanted to withhold further information until details on setting up the unit are completed, probably within the next several weeks.

Mr. Shuch declined to elaborate on the investment stra-

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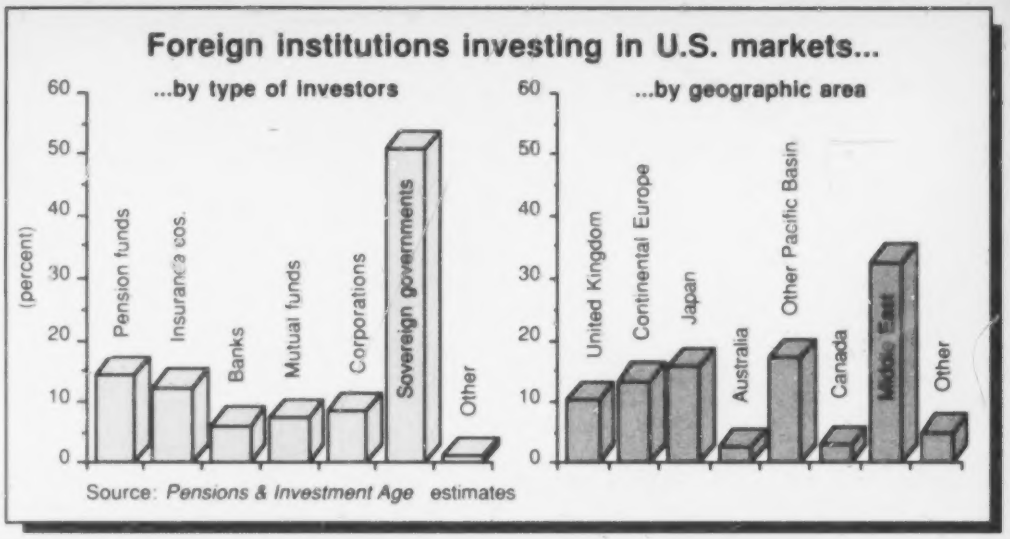

Foreigners place $55B with firms

By Joel Chernoff

U.S.-based money managers invested $54.6 billion in U.S. markets for foreign institutional clients as of March 31, according to a survey by *Pensions & Investment Age*.

Fully half — 50.9% — of those assets, or $26.6 billion, came from foreign sovereign governments. Of that total, nearly two-thirds, or $17 billion, is believed to come from Middle Eastern governments, according to survey data and *P&I Age* estimates.

While the growth in assets was held down by last year's global stock market crash, all signs are that foreign-based business will continue to grow.

Major institutions, particularly New York money center banks, have been building this business even before the 1973-74 oil embargo started piping barrels of money into the coffers of Middle East governments, which in turn sought to invest the overflow of assets.

As markets have become global, institutions are becoming more international in their investment policies, and as contributions to U.S. private pension plans have dried up, more entrants are trying to gain a foothold in the potentially lucrative area.

"Large financial institutions have obviously been in an advantageous position, simply because they've been on the spot," said C. Nicholas Potter, president of J.P. Morgan Investment Management Inc., New York. Attracting overseas business "will get increasingly competitive" just as domestic markets have, he added.

INSIDE: U.S. managers eagerly engage foreign clients — Page 49

J.P. Morgan, whose foreign business has doubled during the past five to seven years, led the rankings, with $11.5 billion in foreign-based assets invested in U.S. markets, accounting for 21% of the total reported.

Following were: Citicorp Investment Management Inc., with $7.8 billion; Chase Investors Management Corp., $4.9 billion; Morgan Stanley Asset Management, $3.7 billion; Richard Ellis Inc., $2.7 billion; Bankers Trust Co., $2.6 billion; Fisher, Francis, Trees & Watts, $2.2 billion; Chemical Investment Group, $2.2 billion; and Alliance Capital Management Corp., $2 billion. All of the firms are based in New York.

The survey, believed to the first of its kind, also revealed:

- Assets run for foreign institutional clients in U.S. markets grew 13.4% during the 12-month period ended March 31. The unavailability of March 1987 data for a few firms, however, artificially buoyed that figure; *P&I Age* estimates the true growth rate was closer to 10%.

During that period, the Standard & Poor's 500 index dropped 8.4% while the Shearson Lehman Hutton Government/Corporate bond index gained 4.4%. Also, during that time currencies represented in the Morgan Stanley Capital International Europe Australia Far East index gained about 15% against the U.S. dollar.

- Active equity products captured the largest amount of assets — $16.3 billion — with balanced accounts at $15.5 billion. Active fixed-income drew in $10.6 billion, while real estate attracted $7.6 billion.
- Assets invested in passive equity products were one-tenth the size of those invested in active equity, though overseas interest in quantitative products is just starting to

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LATE NEWS

Institutions finance realty firm

BOSTON — Four major institutional investors have invested $40 million in the form of participating senior-term notes in The Krupp Cos., a Boston-based real estate firm.

The syndicate is headed by U S WEST Financial Services Inc., Englewood, Colo., which invested $20 million. Other investors are Benefit Capital Management Co., the in-house pension fund management operation of Union Carbide Corp., Danbury, Conn., $10 million; Security Benefit Life Insurance Co., Topeka, Kan., $3 million; and Erie Insurance Exchange and Erie Family Life Co., Erie, Pa., $7 million. Tom Mitchell, a senior account executive for U S WEST Financial, provided the identity of the investors and the amount invested.

The increased capitalization will allow Krupp Cos. to accelerate development of commercial and multifamily properties.

California Employees allocates

SACRAMENTO, Calif. — The $43 billion California Public Employees' Retirement System has decided on allocations for its 12 managers in its $4.25 billion foray into international markets.

The decision was made to follow the recommendations of its asset allocators, First Chicago Investment Advisors, Chicago, and TCW Global, Los Angeles, each of whom will manage up to $100 million, said Basil Schwan, acting investment manager.

Global equity managers County NatWest Investment Management Ltd., London, and Fidelity International Investment Advisors, Boston, each were allocated $350 million; State Street Bank and Trust Co., Boston, was allocated $1.05 billion for passive equities; Nomura Capital Management, New York, $200 million for Pacific Basin regional equity; Warburg Investment Management International, New York, and Fiduciary Trust Co. International, New York, were each allocated $500 million for global fixed income; Baring International Investment LTD., Boston, $500 million for international fixed income; and $200 million each was allocated to active international equity investors Morgan Grenfell Investment Services Ltd., London, Oechsle International Advisors, Boston, and Schroder Capital Management International, New York.

Mr. Schwan said the allocations will begin next month and will be funded monthly through cash reserves and $300 million-a-month cash flow.

Post-retirement draft completed

NORWALK, Conn. — The Financial Accounting Standards Board at its Aug. 10 meeting put the finishing touches on a proposed rule concerning accounting for post-retirement benefits.

An exposure draft is expected to be presented before the end of September with a final standard issued in late 1989. At the meeting, FASB executives decided net periodic benefit cost should be spread out over the period that extends from the date of hire to the expected retirement date. The board also decided the minimum liability would be measured as the unfunded accumulated benefit obligation for retirees.

Funds make manager changes

• WASHINGTON — The $1.1 billion District of Columbia Retirement Board has purchased an $8.5 million interest in Chicago-based JMB Institutional Realty Corp.'s Group Trust I and has terminated Affirmative Investment Management, New York, said Adrien Anderson, executive director.

The JMB Group Trust I, a $158 million closed-end fund, invests in retail and office properties. The board acquired the shares from an undisclosed investor. The assets came from cash flow.

Affirmative, a unit of Daniels & Bells, was terminated because of reorganizational changes that directly affected the firm's relationship with the board, Mr. Anderson said.

• OKLAHOMA CITY — The $1.3 billion Oklahoma Public Employees Retirement System has shuffled its investment management mix to reflect a recent asset allocation study.

Rex Privett, executive director, said First Investment Management, Oklahoma City, will manage a $650 million balanced portfolio; Sun Bank Investment Management Group, Orlando, Fla., $200 million in equities; JMC Capital Management, Metairie, La., a $7 million small-capitalization portfolio; and Wright Investors Service, Bridgeport, Conn., $200 million in bonds.

Wright and First Investment had managed balanced portfolios along with Bank of Oklahoma, which was let go.

The fund hired Northern Trust Co., Chicago, as its master custodian. SEI Funds Evaluation, Houston, assisted.

• LOWELL, Mass. — The $18 million Colonial Gas Co. pension fund has hired Keystone Investment Management Corp., Boston, to run $7.5 million in a balanced account, said Charles A. Cook, vice president-human resources.

The assets came from a reduction in the the assets run by Webster Capital Management, New York, its sole balanced manager. Hoenig Investment Advisory Service, Boston, assisted.

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Vol. 16, No. 18 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

Pension funds win with bet on Bayou

By Trudy Ring

LA PLACE, La. — A contrarian investment in a steel mini-mill operator during the steel industry's trough has produced handsome returns for pension funds and venture capitalists.

Bayou Steel Corp., La Place, went public in late July with an offering of 3.8 million shares at $13 each. Investors who put up equity financing for the company in 1986 have seen the return of their entire initial investment, plus retained common stock in the company, valued at six times the original cost.

A group of investors bought the company in September 1986 from Voest-Alpine AG, an Austrian state-owned corporation, with $21.5 million in equity capital and the issuance of $60 million in high-yield bonds. Principal shareholders include the Allied-Signal Inc. pension fund, Morristown, N.J.; Alan Patricof Associates Inc., a venture capital firm; First Capital Corp. of Chicago, a bank venture capital operation; Allen & Co. Inc., New York, an investment banking firm; and Howard M. Meyers, the entrepreneur who assumed management of Bayou Steel.

The 3.8 million shares in the public offering were newly issued; previous shareholders retain 9 million shares and have agreed not to sell or transfer them until either three years from the time of the offering or until Bayou Steel's tax-loss carryforwards have expired, been fully used or become subject to limitations under the Internal Revenue Code.

Allied-Signal put $2 million of its $4.5 billion defined benefit assets into Bayou Steel equity, said Edward T. Tokar Jr., vice president-investments.

"It was bought at a very attractive price, has outstanding management, and the cycle turned in a significant way in our favor. You add it together and it's a home run," he said.

Alan Patricof Associates invested $2.5 million from three of the funds it runs. The firm made the $2.5 million back at the offering and carries stock valued at six times that amount, said John Baker, vice president.

APA's limited partners in the deal include the New York State and Local Retirement Systems and New York State Teachers' Retirement Fund, both of Albany; the Texas Instruments Inc. pension fund, Dallas; the Gannett Co. Inc. pension fund, Arlington, Va.; the Ontario Municipal Employees' Retirement System, Toronto; and venture capital managers, First Chicago Investment Advisors and Mitchell Hutchins Institutional Investors Inc., New York.

APA was attracted to the deal because of the involvement of Mr. Meyers, who became chairman, president and chief executive officer upon the investor group's acquisition. Several years ago, the firm had backed Mr. Meyers in RSR Corp., a Dallas-based smelting business of which he also is president.

"We start out asking ourselves, 'Is the guy a money maker?' " Mr. Baker said. Mr. Meyers already had shown he was one with RSR and did so again with Bayou Steel, Mr. Baker said.

John Canning, president of First Capital Corp., echoed those sentiments. "You had a fabulous manager in Howard Meyers. You had a battle-weary shareholder (Voest-Alpine) who wanted to get out of the operation and you had a tremendous manager."

First Capital was the deal's largest investor with $7 million. First Capital is a subsidiary of First Chicago Corp.; it invests the banking firm's own capital.

At Bayou Steel, Mr. Meyers and his management team rearranged the mill's equipment to smooth out production flow and increase capacity; renegotiated a contract with the United Steelworkers of America to increase flexibility in operations while providing pay and benefit increases; and emphasized the use of low-cost barge transportation on the neighboring Mississippi River, Mr. Baker said.

Bayou Steel had a net loss in each fiscal year from 1981 until 1986. The company posting net income of $3.2 million for the year ended Sept. 30, and $12.8 million in the six months ended March 31. ■

Global flows change

Assets moving to Europe

By Marlene Givant

International stock managers are pouring money into Continental Europe and smaller Pacific Basin markets, attracted by what they consider good values.

During the second quarter, the median international stock portfolio analyzed by InterSec Research Corp., Stamford, Conn., had 27% in Continental Europe vs. 24.8% the previous quarter. Continental Europe represented 18.9% of the Morgan Stanley Capital International Europe Australia Far East index as of June 30.

Meanwhile, the median portfolio's exposure to Pacific Basin markets, excluding Japan, escalated 24% to 9.2% from 7.4% as of March 31. That's almost double the 4.7% the region represents in the EAFE index.

In addition to cheap companies, Continental Europe has rosier growth prospects, noted managers bullish on the region.

Alliance Capital Management, London, invests a hefty 45% in Continental Europe, mainly in Germany, Switzerland and Holland.

"At last there's some earnings momentum, and I think earnings there will beat the estimates," said Mark Breedon, vice president of the firm, which runs $800 million for U.S. tax-exempt clients. In Germany, the firm favors chemical companies **Bayer, Hoechst** and **BASF** and engineering firms such as **MAN** and **Thyssen**.

Acadian Financial Research Inc., Boston, which runs $42 million for U.S. tax-exempt clients, is overweighting a number of Continental European markets in its risk-control core portfolios, largely because the region's price-earnings ratio is only 12.

"Continental Europe is more attractive than capitalization weights in the index would indicate," said Ronald Frashure, executive vice president. Investors might have underestimated the region's prospects given measures to harmonize intra-European trade by 1992, he added.

Acadian has more than 5% each in Switzerland, France, Belgium and Italy. French holdings in the firm's small-cap portfolios include **Penarroya**, a non-ferrous metals company, and **Vallourec**,

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Geographic asset allocation of non-U.S. portfolios

	InterSec median portfolio		EAFE	
Country/region	2nd qtr.	1st qtr.	2nd qtr.	1st qtr.
Japan	37.8	39.9	62.6	64.4
Other Pacific Basin	9.2	7.4	4.7	4
United Kingdom	15.9	16.2	12.9	13
Continental Europe	27	24.8	18.9	18.6
Other	3.3	2.7	0.9	0
U.S. cash	3.3	4.1	0	0

Source: InterSec Research Corp., Stamford, Conn.

Japanese wary of America

By Joel Chernoff and David Kilburn

Despite the U.S. dollar's recovery against the yen this year, Japanese institutional investors are taking a cautious approach to investing in U.S. markets.

Japanese investors were severely burned by the dollar's 50% fall against the yen during the past three years.

"I think people are still very cautious about investing outside Japan due to the exchange rate situation," said Kiyotoshi Aiba, director-investment management, Yamaichi International Capital Management Co. Ltd., Tokyo.

"In overall terms, the Japanese institutional investor is still extremely cautious and it is unlikely they will make any major decisions regarding investment in the U.S.A. until they have a clearer picture about exchange rate movements, interest rates and improvements in the U.S. economy," said Yasukazu Akamatsu, senior managing director, Daiwa International Capital Management Co. Ltd., Tokyo.

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MASTER TRUST

Pension execs, advisers content with services

By Trudy Ring

Corporate pension executives and money management firms report a high degree of satisfaction with master trust banks' services, according to *Pensions & Investment Age's* biennial surveys on the subject.

Pension executives and money managers were surveyed separately and asked to rate master trust banks on a scale of 1 (poor) to 5 (excellent) in a variety of categories. Overall ratings were derived from category responses. In both surveys, every bank rated by at least three respondents received an overall rating no lower than 3.

Mellon Bank, Pittsburgh, was tops among corporate pension executives; it got a perfect 5. That was derived from ratings of 5 in each category of the survey: personnel, cash management, reporting and computer programs. Mellon Bank was rated by six respondents.

The bank's rating rose from the 1986 survey, when it received an overall 4.1 and ranked third. It was rated by 11 pension executives that year.

Boston Safe Deposit & Trust Co.'s rating from corporate pension executives dipped to 4 this year from its 1986 rating of 4.5; it topped the survey in 1986. It was rated by four respondents this year, down from six two years ago. It had an average rating of 4 in each category.

National Bank of Detroit, which ranked second with 4.3 in the 1986 pension executives' survey, had an overall rating of 4 this year from four respondents. It received that rating in each category except personnel, where it received a 5.

Although pension executives did not hesitate to give ratings of 3 or 4 to their master trustees, they were selective about giving perfect ratings. The only other bank to receive a 5 rating in any category was Harris Trust and Savings Bank, Chicago, which got that mark for its cash management services. It received a 4 in each of the other categories and a 4 overall.

The banks rated by the greatest number of pension executives were Bankers Trust Co., New York, rated by 16 respondents; Northern Trust Co., Chicago, rated by 15; and Chase Manhattan Bank, New York, rated by 11. Each had an overall rating of 4.

Pension executives also seem to be satisfied with their master trust banks' fees. Sixty-two respondents called their master trustee fees average, 10 called the fees high and seven called them low.

Money managers also indicated satisfaction in their dealings with master trust banks. The lowest overall rating assigned to any bank ranked by at least three managers was 3.1.

Managers were asked to rate banks on security clearance; updating of cash and transaction activity; automatic investment of cash balances; prompt crediting of cash; reporting accuracy; capabilities of the account representative; cooperation of the institution; global custody services (where applicable); and overall.

Managers, in a ratings to smaller, regional banks. Marshall & Ilsley Trust Co., Milwaukee, received the best overall rating, 4.5. It was rated by six money managers.

Following it were Ameritrust Co., Cleveland, and Wilmington Trust Co., Wilmington, Del., both with 4.4 overall. Ameritrust was rated by nine managers and Wilmington Trust by five.

None of those three had enough responses from pension executives to be included in the results for that survey. Only 12 master trust banks drew ratings from at least

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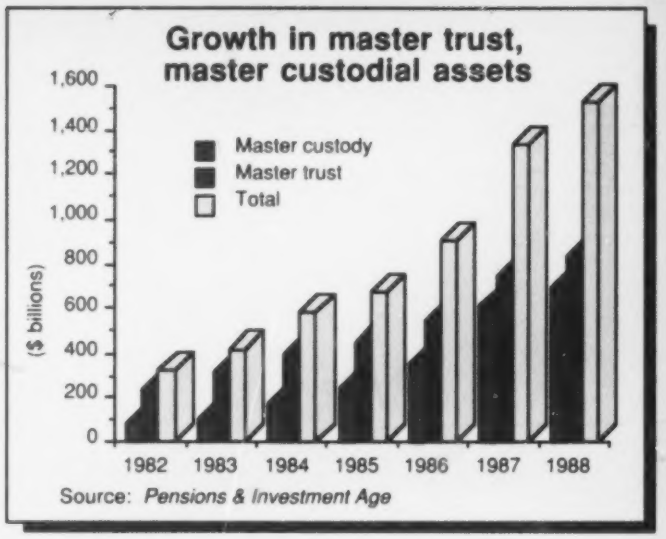
Custodians pace moderate growth

By Carol Wiley



Tax-exempt assets held in the nation's largest master trustee and master custodial banks increased by a comparatively modest 12.6% for the 12 months ended June 30, and, once again, master custodial assets increased at a higher clip than those in master trustee accounts.

Tax-exempt assets held by the 30 largest master trust and master custodial banks rose to $1.526 trillion from $1.355 trillion the year before, according to data obtained in a survey by *Pensions & Investment Age* of banks with at least $2 billion in combined master trust and master custodial assets. During the year ended June 30, 1987, assets had increased 46%, primarily triggered by the bull market and new business.

In the year ended June 30, 1988, master custodial assets rose almost 14% to $693 billion from $608 billion; master trust assets rose 11.5%, to $832 billion from $747 billion.

The increase in master custodial assets is due to the increased use of custodians by public pension plan sponsors, according to Rodger F. Smith, partner, Greenwich Associates, Greenwich, Conn.

Because of the growing complexity of record keeping, more public funds are opting for master custody banks rather than handling the job internally, Mr. Smith said.

Master trust banks are legally responsible for multiple plans with multiple managers, and for single plans with multiple managers. Master trustees provide unitized reporting, accounting and performance measurement services for their clients, which primarily are corporate pension plans. Master custody banks provide the same services, but their clients — primarily public funds, endowments and foundations — retain legal trusteeship.

Larger pension funds, which usually have multiple managers, most often use master trust banks.

A Greenwich study confirms the increased use of master custody banks by public pension funds. Ninety-one percent of the 290 public pension funds surveyed in 1987 reported using a master custody bank, up from 89% in 1986, 88% in 1985 and 85% in 1984.

Master trust use, however, has not increased in the past two years, according to Greenwich statistics. The study shows 73% of the 1,005 large corporate pension plans surveyed use master trusts, the same percentage as in 1986. Seventy percent in 1985 used master trust banks, 66% in 1984 and 64% in 1983.

More than 90% of the 200 largest industrial companies and more than 90% of the plans with assets of more than $500 million now use master trusts, according to the survey.

New, large pension clients no longer account for growth in master trust assets because, as the Greenwich statistics bear out, most pension plans already have selected their master trust banks, according to Mike Wright, consultant with The Wyatt Co., Boston.

New business now comes from clients unhappy with their current master trustee, and from corporate spinoffs, in which new divisions or subsidiaries need a master trustee and hire one different from the parent company, Mr. Wright said.

The major master trust banks also are going after smaller pension funds.

"The big ones — the Mellons, the State Streets — are taking smaller accounts, those in the $50 million to $100 million range, because the others have penetrated the market," Mr. Wright said. "And with all of the merger and LBO activity, there are more pension funds that need master trustees."

State Street Bank and Trust Co., Boston, was again the largest provider of master trust and master custodial services in the *P&I Age* survey, gaining half a percentage point in market share although its total assets were down $655 million from 1987 figures. State Street's assets declined to $190.235 billion, from $190.89 billion in 1987. Its share of the market, however, went to 12.5% from 12%.

State Street lost close to $2.4 billion in master trust assets, dropping to $90.83 billion, and gained about $1.7 billion in master custodial assets, reporting $99.4 billion.

"Overall, a lot happened (in the year ended June 30) that had tremendous impact on the values of the master trust/master custodial marketplace," said Ronald Golz, State Street executive vice president.

"The market effect in October was fairly substantial. Assets

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Many believe global fees extreme

By Marlene Givant

Many pension fund executives think global custody fees are high and the quality of service average, according to a *Pensions & Investment Age* survey of corporate pension plan executives.

Assets under global custody for pension funds, endowments and foundations total $73.13 billion with the top five banks accounting for almost two-thirds of the assets.

State Street topped the list with $17.85 billion. It was closely trailed by Chase Manhattan Bank with $16.036 billion. Bank of America ranked third with $5.5 billion, followed by Bankers Trust with $5 billion and Irving Trust with $4.5 billion.

Many banks included on the list actually appoint other banks to provide global custody for them on a wholesale basis. One such wholesaler, Mitsubishi Bank of California, which does not work directly for pension funds, administers $6.3 billion in global custody assets for master trust banks. The $18.2 billion Chase has under global custody for other banks exceeds the $16.036 billion it has under global custody for U.S. tax-exempt funds directly. Chase's figures were as of March 31.

In the global custody survey, 35 of the 44 corporate pension fund executives responding said they use their domestic master trustee for global custody. This makes it difficult for new players to make inroads.

Mellon Bank/Pictet & Cie was chosen the top global custodian, earning an average rating of 5 on a scale of 1 (poor) to 5 (excellent) for overall global custody service. Northern Trust, State Street and Mitsubishi Bank averaged a 4 rating while Chase Manhattan and Bankers Trust averaged 3 in rank. All of these institutions were rated by at least two corporate pension executives.

In addition to custody, global custodians generally handle numerous other functions. According to Janet E. Potter, vice president and manager-capital markets services marketing and development of the Bank of America, San Francisco, these include: settlement; cash management; client reporting of realized/unrealized gains and losses for securities and cash in both local and base currencies; income accruals and receivables including dividend and tax reclamation; consolidated reporting for multiple portfolios; and global portfolio performance analysis, both historically and against world indexes.

Recent innovations in global custody include securities lending, multicurrency short-term investment funds and refined customer information systems, specifically PC-based interface technology, she added. Custodians also are boosting capabilities in emerging markets.

Pension executives are less pleased with service and charges for global custody compared with domestic accounts.

While almost all of the 83 pension executives surveyed on their domestic trustees rated the institutions a 4 (above average), only half of the 44 executives responding to the global custody survey rated over-

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Banks focus on fees

Move on to trim global custody costs

By Marlene Givant

Cost-cutting is a top challenge of global custodians in the wake of increasing industry competition and client concern over high fees.

"Right now, I'm putting all my emphasis on how to reduce costs through automation," said Murray Steinberg, senior vice president in charge of global operations of Boston Safe Deposit & Trust Co., Boston.

"With competitive prices, people are beginning to use more than one global custodian, but it's difficult to administratively manage more than one," said Susan Beacham, vice president of Mitsubishi Bank of California.

Global custody fees range from three to 15 basis points for a passive international portfolio and 25 to 35 basis points for an active portfolio, assuming in either case a separate account of $100 million to $300 million or a commingled fund of $300 million to $1 billion, according to Mr. Steinberg.

Fees are high largely because of the number of middlemen. Global custodians generally use other banks overseas as subcustodians. "Sixty to 66% of all cost is because of subcustodial banks," said Mr. Steinberg.

Global custodians need U.S. staff to deal with foreign subcustodians and multicurrency accountants who might keep accounts in a client's base currency as well as local currencies.

And subcustodial banks overseas charge different fees; many charge extra for each separate account and each security issue as well as corporate action processing.

Some countries tax U.S. investors for such services as trading ex-dividend. And where investors can recoup tax payments, the subcustodian must do the expensive paper work.

Cross-border communications among all parties to a trade, foreign exchange transactions and physical securities settlement with various settlement periods and procedures among markets adds to the complexity and overall cost.

Adding an extra layer, some U.S. banks use other banks as global custodians for their clients.

Eliminating middlemen and boosting efficiency is the key to lower costs. Although failed trades still persist, representing about 40% of all trades, said Mr. Steinberg, progress is being made.

The Depository Trust Co. Trade ID System in the United States is working to create book-entry settlement of securities overseas, and Euroclear — a clearing system and central custodian for international markets — is putting certain common stocks worldwide in its system on a book-entry-type system like that used in the United States.

Meanwhile, banks are taking their own action. Northern Trust Co. bases prices of global custody services on the makeup of each client's portfolio in terms of size, transaction volume, countries invested in and special accounting and reporting requirements.

State Street Bank and Trust Co., Boston, recently unbundled its custody fees, using regional fee schedules and weighting fees according to where a client invests.

Mr. Steinberg said Boston Safe's volume doesn't yet justify an unbundled fee structure. Instead, Boston Safe is putting terminals in its banking and subcustodians' offices that can reach its Boston system directly to "increase productivity and reduce manual intervention."

Where automation with Boston Safe isn't feasible, a subcustodian will transfer settlement information to its U.S. office for forwarding to Boston Safe. Boston Safe also might open new offices abroad.

Bank of America is planning to expand its client base in key markets in Asia and Europe and provide services to regional financial institutions in the United States.

Morgan Stanley Global Services offers Morgan Stanley Capital International research, trade execution with Morgan Stanley & Co., foreign exchange and settlement and global custody through Morgan Stanley Trust Co. or any combination of the services. MSGS has a global data network linking transnational and domestic clearing organizations, agent banks and brokers. All parties are technologically linked, replacing the more common telex and facsimile.

In February, Bankers Trust Co.'s Global Fiduciary Services Group introduced Globe*Net, an international subcustodial network and integrated securities movement and cash control system for its global custody product, GlobeTrust. It also provides global accounting, reporting and performance measurement through its subsidiary, The WM Co., Edinburgh. ■

U.S. institutions ranked by global custody assets

	$ millions
1. State Street Bank	17,850
2. Chase Manhattan [1, 2]	16,036
3. Bank of America [2]	5,500
4. Bankers Trust	5,000
5. Irving Trust	4,500
6. Northern Trust	4,300
7. Boston Safe Deposit	4,250
8. Citibank	2,500
9. Mellon Bank/Pictet	1,900
10. Harris Trust	1,800
11. Morgan Stanley Trust [3]	1,670
12. First Wachovia	1,570
13. Continental Illinois	1,500
14. Security Pacific	1,200
15. Wilmington Trust	1,143
16. First RepublicBank	510
17. Nat'l Bank/Detroit	500
18. First Pennsylvania Bank	300
19. Bank of New York	263
20. Norwest Bank Minnesota	220
21. Centerre Trust	154
22. United States Trust [4]	134
23. Citizens & Southern Trust	100
24. Ameritrust	91
25. Mercantile-Safe Deposit	88
26. First Interstate Bank	24
27. First Trust	10
28. Marshall & Ilsley Trust	8
TOTAL	73,130

[1] As of March 31, 1988

[2] Excludes $19.2 billion under global custody for other banks

[3] These institutions are not ranked because they are not major players in the domestic master trust/custodial business

[4] As of Dec. 31, 1987

Many of these banks appoint other banks to handle at least some global custody assets.

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MASTER TRUST

Banks key on problem solving

By Carol Wiley

In the competitive master trust business, banks are working harder than ever to hold on to their clients by solving problems as they arise.

Accuracy and timeliness of reports are still the common complaints of pension fund sponsors, and in the current competitive atmosphere, banks must address problems or risk losing clients.

"Large, corporate pension fund clients are few and far between," said Ronald Golz, executive vice president of State Street Bank and Trust Co., Boston, the nation's largest provider of master trust/master custodial services. "If they were to move because of poor service, every competitor would be after that piece of business. It's intensely competitive."

According to sponsors, consultants and bank officials, most complaints center on inaccurate reports. The most common ones heard by consultant Asghar Alam of The Wyatt Co., New York, are that the master trustee has not recorded stock purchases or sales on the right dates, and that the trust report does not balance.

"The basic problems continue to be basic capabilities — accuracy and how quickly the reports are delivered — the ABCs of the business," said Rodger F. Smith, partner with Greenwich Associates, Greenwich, Conn.

Mistakes in record keeping always have been — and always will be — an issue, according to Mike Wright, consultant with Wyatt's Boston office. There is no error-proof system, but "how quickly the bank corrects the mistakes is the issue . . . and how fast it can get the reports out," Mr. Wright said.

"Banks are upgrading their systems to adapt and to modify to meet changing needs," Mr. Smith said. "It takes a considerable amount of money for systems technology and the people who can use the system in a productive way. Every organization needs a major overhaul now and then."

Clients also complain about personnel, Mr. Wright said. "The first and easiest complaint is always about the account relationships," he said. "Is the master trust officer responsible; is he treating the sponsor the way he should be? As a result, there's an ongoing shuffling of personnel."

The client might leave because the bank is experiencing difficulties elsewhere in its business, not just on the master trust side, Mr. Golz said.

Such was the case for Vulcan Materials Co., Birmingham, Ala., which moved its business to The Northern Trust Co., Chicago, from First Republicbank, Dallas (now NCNB Texas National Bank), because of the Texas bank's financial difficulties, according to Robert W. Lee, vice president-compensation and risk management.

Also, clients of smaller master trust banks might find they have outgrown the services of their bank. For example, the client might want global custody services the bank does not provide, or the bank might not offer services for specialized investments, Wyatt's Mr. Alam said.

The $1.3 billion plan of North American Philips Corp., New York, has found "a lot of pass-throughs and other types of investments are hard for banks to price and collect income and credit properly," said Kathleen Pino, pension finance administrator. Some banks have a different pricing system for bonds or might rely on different reports for information than the pension fund's investment managers, she said.

The Long Island Railroad, Jamaica, N.Y., whose defined benefit plan totals $115 million, experienced a two-day delay cabling assets to its master trustee, National Westminster Bank, New York, for purchases; encountered variations in pricing of zero-coupon bonds; and learned Natwest made mistakes in purchasing securities issues for its portfolios, according to Vincent Wing, manager of investment analysis.

To correct the problems, North American Philips and the Long Island Railroad hired Hamilton & Co., Princeton, N.J., a consulting firm that works with master trustee banks.

Hamilton & Co. provides monthly audits of the master trust procedure by replicating the entire process for its clients, comparing its reports with bank reports and reconciling the differences with the bank. What results, according to Susan Crotty, Hamilton's managing director, "usually leads to better management on everyone's part."

"Normally, you get better service from the custodian, because you have someone looking and watching over their shoulder, and you have the client calling with the problems," Ms. Crotty said.

Banks have responded favorably to the audit process, she added. ■

Austin funds select bank as custodian

AUSTIN, Texas — Two Austin municipal funds have chosen The Northern Trust Co., Chicago, as master custodian for their combined assets.

The $549 City of Austin Employees Retirement and Pension Fund and the $50 million City of Austin Police Retirement Fund chose Northern Trust as the first master custodian for the two funds. Custody of the funds previously had been with the city treasurer.

Cathy Harrington, city pension officer, said Northern was selected following a nationwide search conducted by the city with assistance from its consultant, Callan Associates Inc., San Francisco.

"We were impressed with their (Northern's) internal capabilities and with the quality of people assigned to our account," said Ms. Harrington.

The primary service the city sought was in the custodial area, but the city also plans to make use of other services, such as securities lending, offered by Northern Trust. ■

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First Penn set to compete

By Fred Williams

PHILADELPHIA — America's oldest commercial bank might not be the largest, but First Pennsylvania Bank has emerged as a major player in the master trust/master custody business by carefully targeting its clientele and making a strong commitment to the business.

While still considered a regional bank, First Penn — established in 1782 — has grown to become the 14th largest master trust/master custody bank in *Pensions & Investment Age*'s annual survey, with $32.5 billion in combined assets, $28.6 billion of which is in master custodial accounts.

Officials at First Penn challenge the prevailing sentiment among many consultants and money center banks that the master trust/master custody business will be consolidated among the top five or six master trust banks.

"There have been questions because we are smaller relative to other banks like Chase and Northern Trust, but we have committed substantial dollars to this business, we have committed to stay in the business and will commit whatever dollars it takes to maintain our systems," said Stuart Saunders Jr., executive vice president and head of First Penn's trust and investment services group.

First Penn targeted the master trust/master custody business in 1983, said Mr. Saunders. Its first account was the $8 billion Commonwealth of Pennsylvania Retirement System, and the bank has focused its attention on public pension plans. It since has been named master custodian for the $1.6 billion City of Philadelphia Municipal Pension Fund and the $4.2 billion Alaska State Retirement System.

An official in the Alaska state treasurer's office, Juneau, said the system had been using Bank of America, San Francisco, before hiring First Pennsylvania in 1984.

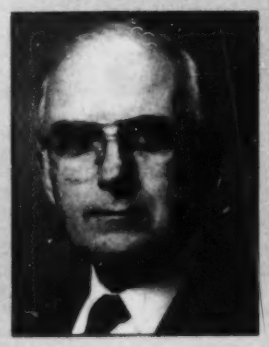
"We went through the normal state contracting procedure in requesting proposals, and we decided on a smaller regional bank where we would be a more significant customer," the official said.

He said the distance between Juneau and Philadelphia isn't a problem because of technological advances in electronic data transmission and the telephone.

For items requiring a signature, the system uses a facsimile to send and receive documents.

Alaska's officials might not mind the bank not being nearby, but other clients selected First Penn because of its location.

Rudolph Peins, senior vice president at Hunt Manufacturing Co., Philadelphia, said Hunt "looked at the market" before selecting First Penn. "But our primary objective was to work with a Philadelphia firm. We believe they provide the type of service we wanted, but they had to be a Philadelphia firm where we would have access to someone in the bank when we needed them."



First Penn's Stuart Saunders Jr. (above) and James F. McHale say the bank is holding its own in master trust/master custody business.

He said he has been "delighted" with First Penn's performance as master trustee for its pension assets. He declined to specify the total assets in the Hunt plan, but as of October 1986 the fund had $11.2 million, according to the 1988 Money Market Directory.

Tim Roof, consultant in the Philadelphia office of Hewitt Associates, said he's not surprised First Penn has been successful in the master trust/master custody area.

"I get the impression that they have taken a strategic approach to the business and picked their target and made the commitment to the business."

First Penn offers the traditional range of master trust services, including securities lending, accounting, asset administration, portfolio analysis, performance measurement, reporting and global custody. One distinguishing feature is an on-line interface with the bank's accounting system that provides account information regarding transactions, asset data and performance measurement. The system can be customized to provide specific files for clients, said Mr. Saunders.

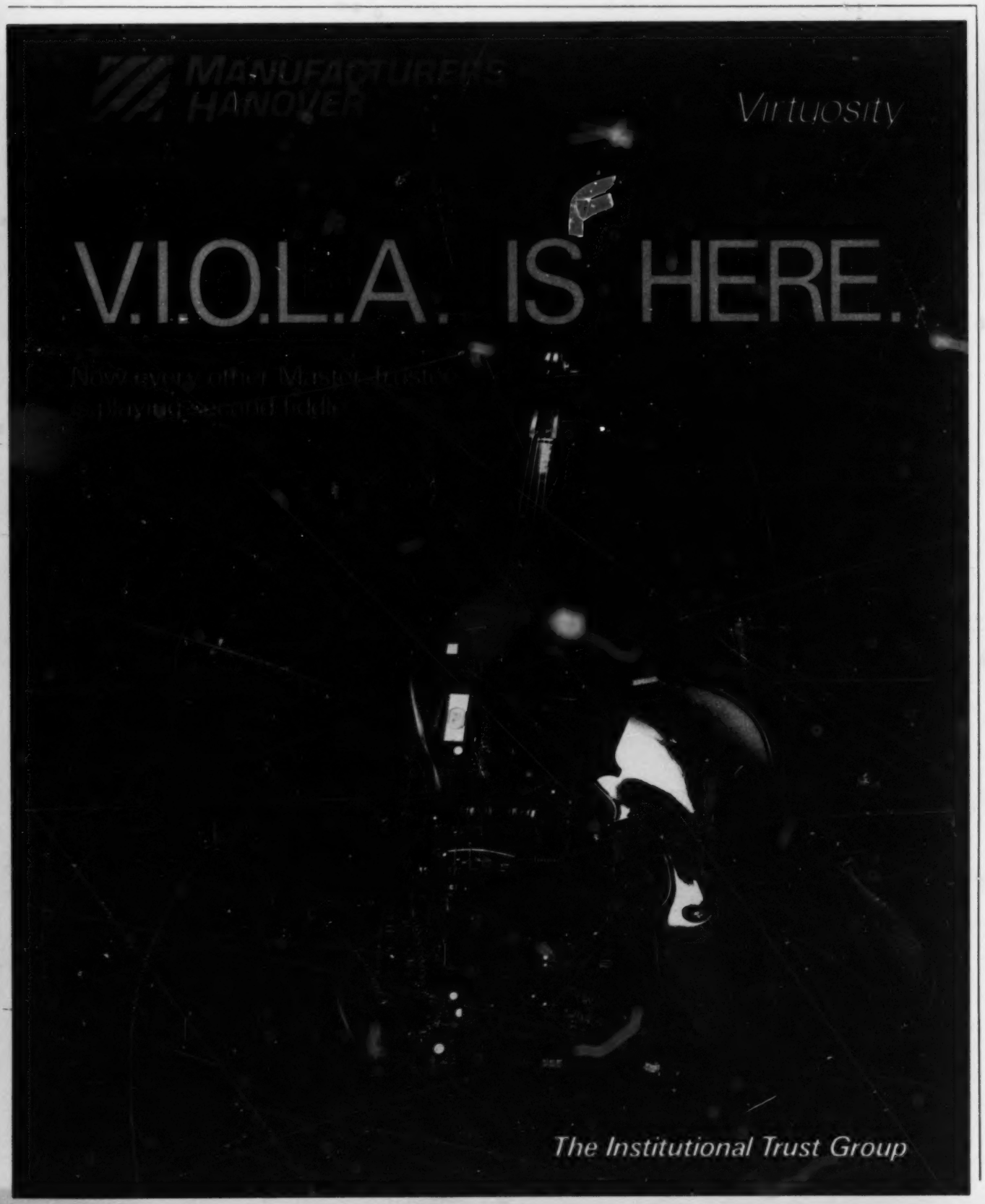
"We don't think anyone in the country has one like it," he said. "The system was designed internally by trust bankers to serve this business."

Client terminals are provided at the user location and allow the user to view asset positions as well as a chronological listing of account activity from the last report date up to the past three months.

James F. McHale, senior vice president and manager of First Penn's trust business development department, emphasized the role of smaller regional banks in the master trust business.

"We have been told by the top five or six master trust banks that there is no room in this business for second-tier master trust banks. We strongly disagree. The top five or six banks have asset levels of over $120 billion each. It is very difficult to give quality services to users at that level.

"Second-tier banks with $30 billion to $50 billion, as long as they have the proper systems to be in the business, can compete effectively." ■



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Ameritrust Co.

900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-4089

Domestic master trust	$3,715,000,000
Domestic master custodial	$10,463,000,000
Global custody	$91,000,000
Domestic master trust clients	42
Domestic master custodial clients	17
Global custody clients	4
Account supervisors	3

Ameritrust Co.'s domestic master custodial assets increased $7.177 billion in the year ended June 30.

The primary accounting method is trade date. Accrual accounting is offered.

Services offered in the basic master trust/master custodial agreement are automated cash management, pension benefit payments, security processing, custody services, performance measurement and Ameriscan on-line inquiry.

Services available for additional fees are TUCS, participant record keeping and investment management services.

Monthly transaction reports are available in five business days; asset and liability reports, in five business days; and performance measurement reports, in 15 calendar days. All are available on-line.

Fees for domestic services are based on market value of assets and individual services; fees for global services are based on transactions and asset size.

Countries covered by the global custody services are Canada, Italy, South Africa, France, Denmark, Japan, Sweden, Finland, Belgium, Norway, the Netherlands, Mexico, Australia, Singapore and Hong Kong.

The client contact is Gary W. Queen.

The Bank of New York

48 Wall St., New York, N.Y. 10015; (212) 495-1784

Domestic master trust	$43,884,000,000
Domestic master custodial	$54,100,000,000
Global custody	$263,000,000
Domestic master trust clients	88
Domestic master custodial clients	19
Global custody clients	29
Account supervisors	16

The Bank of New York's domestic master trust assets rose $2.784 billion in the year ended June 30; domestic master custodial assets rose $2.1 billion; and global custody assets rose $118 million.

The primary accounting methods are trade and actual settlement date. Average cost, tax lot basis, amortized cost and liability accounting are offered.

Services offered in the basic master trust/master custodial agreement are global safekeeping, full trust administration services, cash management, fail float, portfolio accounting, custom reports, integrated on-line services, ERISA reporting and client training.

Available for additional fees are automated equitable accounting, benefit payment services, PC-driven report enhancer, performance measurement and analytics, securities lending and consulting services.

Monthly transaction reports are available on-line the next day and in hard copy form in 3 to 5 days; asset and liability reports, next day on-line; and performance measurement reports, in 20 days. All reports are available on-line.

Fees for domestic services are negotiated individually based upon asset value, portfolio structure and other required services; fees for global services are calculated by country and activity.

Countries covered by the global custody services are Australia, Belgium, Canada, Italy, Mexico, France, West Germany, Switzerland, Spain, the United Kingdom, Norway, Sweden, Japan, Finland, Denmark, Hong Kong, the Netherlands and South Africa.

The master trust and global custody client contact is Roy P. Lanza, vice president.

Bankers Trust Co.

280 Park Ave., 8 West, New York, N.Y.; (212) 850-2037

Domestic master trust	$135,586,000,000
Domestic master custodial	$35,500,000,000
Global custody	$5,000,000,000
Domestic master trust clients	301
Domestic master custodial clients	85
Global custody clients	58
Account supervisors	60

Bankers Trust Co.'s domestic master trust assets rose $7.905 billion in the year ended June 30; and domestic master custodial assets rose $1.841 billion.

Its primary accounting methods are trade and contractual date, on a fully accrued basis.

Tax-lot and cost-basis accounting are offered.

Services offered in the basic master trust/master custodial agreement are cash management, safekeeping of assets, transaction processing, accounting, reporting, investment manager liaison and legal and regulatory updates.

Services available for additional fees are securities lending; global custody; performance measurement and analytics; on-line access to accounting and performance data as well as external data bases, customized reporting and graphics; benefit payments; investment management; actively managed STIFs for ERISA and non-ERISA assets; discount brokerage; consulting; dividend reinvestment program; trade execution monitoring; and participant record keeping.

Monthly transaction reports are available in three business days; asset and liability reports, in seven to 10 business days; and performance measurement reports, in 15 business days. All of these reports are available on-line.

Fees for domestic services are negotiated based upon the costs associated with each client's specific requirements; fees for global services are based on transaction volumes, assets size and distribution across markets.

Countries covered by the global custody services are Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

The client contact is Frederik L. Bailey, vice president.

Boston Safe Deposit and Trust Co.

1 Boston Place, Boston, Mass. 02108; (617) 722-7314

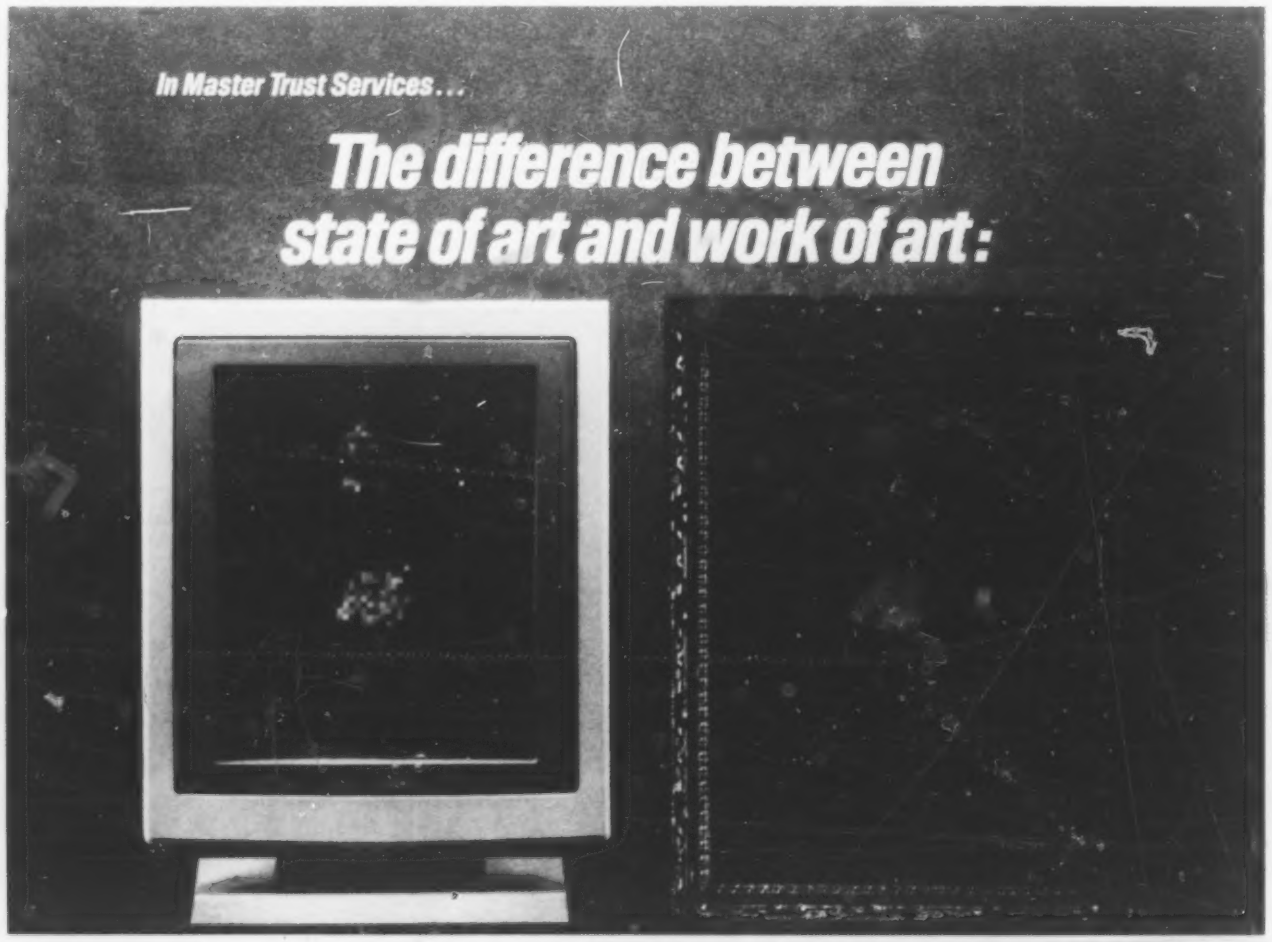
Domestic master trust	$38,623,000,000
Domestic master custodial	$75,996,000,000
Global custody	$4,259,000,000
Domestic master trust clients	47
Domestic master custodial clients	31
Global custody clients	32
Account supervisors	23

Boston Safe Deposit and Trust Co.'s domestic master trust assets rose $4.895 billion in the year ended June 30; domestic master custodial assets rose $22.763 billion; and global custody assets increased $1.906 billion.

The primary accounting method is a true trade date, daily full accrual, multicurrency accounting system. The accounting system also interfaces daily with a cash basis securities control system.

Services offered in the basic master trust/master custodial agreement are safekeeping of assets, cash management and securities processing, and daily full accrual trade date-based accounting and reporting.

Available for additional fees are securities lending, global custody, benefit payments, participant record keeping, structured investment products, real estate, active management, performance measurement and analysis, on-line access, Master Workstation and consulting services.



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For more information, or a look at some typical examples in our gallery of master works, call James F. McHale, Senior Vice President, Trust and Investment Services Group, at (215) 786-7946.

First Pennsylvania Bank N.A.
Philadelphia, PA 19101

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FPB-100

Monthly transaction reports are available in three days; asset and liability reports, in five days; and performance measurement reports, in 10 days. All accounting and performance measurement reports are available on-line.

Fees for domestic services are calculated on an individual basis; fees for global services are computed on a basis-point charge against the market value of the portfolios, plus a transaction fee.

Countries covered by the global custody services are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Hong Kong, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, the United Kingdom and West Germany.

The client contact is John L. Carty, senior vice president.

Centerre Trust Co.

510 Locust, St. Louis, Mo. 63101; (314) 436-9691

Domestic master trust	$1,632,000,000
Domestic master custodial	$4,581,000,000
Global custody	$154,000,000
Domestic master trust clients	8
Domestic master custodial clients	34
Global custody clients	2
Account supervisors	12

Centerre Trust Co.'s domestic master custodial assets rose $556 million in the year ended June 30; global custody assets increased $42 million.

The primary accounting method is trade date and accrual. Settlement date is offered.

Services offered in the basic master trust/master custodial agreement are performance measurement/risk analysis, participant record keeping, assistance in ERISA reporting requirements, automatic sweep cash management and portfolio review.

Services available for additional fees are on-line reporting and securities lending.

Monthly transaction reports are available in five business days; asset and liability reports, in five business days; and performance measurement reports, in 10 business days. All are available on-line.

Fees for domestic and global services are based on market value.

Europe and the Pacific Basin are covered by the global custody services.

The client contact for master trust service is Robert Mathieu, assistant vice president; the contact for global custody service is Richard Hibbs, senior vice president.

The Chase Manhattan Bank

1211 6th Ave., 30th Floor, New York, N.Y. 10036; (212) 730-3057

Domestic master trust	$63,200,000,000
Domestic master custodial	$85,000,000,000
Global custody	$16,036,000,000
Domestic master trust clients	122
Domestic master custodial clients	70
Global custody clients	86
Account supervisors	34

The Chase Manhattan Bank's domestic master trust assets rose $1.15 billion in the year ended June 30; domestic master custodial assets increased $2.95 billion; and global custody assets grew $2 billion.

The primary accounting method is fully accrued, trade date. Settlement and tax lot accounting are offered.

Services offered in the basic master trust/master custodial agreement are custody, accounting, reporting, transaction processing, income processing, cash sweep and corporate action and proxy notification.

Services available for additional fees are securities lending, benefit payments, global custody, securities lending (domestic and global), performance measurement and analytics (domestic and global), on-line access (domestic and global accounting and performance) and consulting.

Domestic monthly transaction reports are available in two business days; domestic asset and liability reports, in five to seven business days; and domestic performance measurement reports, in five to 10 business days after accounting reports are rendered. Global accounting reports are available in three to seven business days; global performance reports are available in seven to 10 days after accounting reports are rendered. All are available on-line.

Fees for domestic and global services are based on market value, transaction type and volume, and portfolio type and volume.

Countries covered by the global custody services are Argentina, Australia, Austria, Belgium, Brazil, Canada, Channel Islands, Chile, Denmark, Finland, France, West Germany, Greece, Hong Kong, Ireland, Italy, Japan, Jordan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey and the United Kingdom.

The master trust client contact is Hortensia Sampedro, vice president; the global custody client contact is Peter Derrenbacher, vice president.

Citibank

153 E. 53rd St., New York, N.Y. 10043; (212) 559-1523

Domestic master trust	$28,247,000,000
Domestic master custodial	$74,714,000,000
Global custody	$2,500,000,000
Domestic master trust clients	321
Domestic master custodial clients	133
Global custody clients	5
Account supervisors	66

Citibank's domestic master trust assets rose $303 million in the year ended June 30; domestic master custodial assets rose $18.812 billion; and global custody assets rose $300 million.

The primary accounting method is trade date. Settlement date is offered.

Services offered in the basic master trust/master custodial agreement are safekeeping and custody, cash management, trade date reporting, ERISA reporting, equitable share accounting and on-line information management.

Services available for additional fees are flexible reporting (Citicorp Portfolio Analyst), investment performance evaluation and TUCS comparisons, global custody, securities lending, participant record keeping and DRIP service.

Monthly transaction reports are available in three business days; asset and liability reports, in five to seven business days; and performance measurement reports, in 15 business days after all information is received. All reports are available on-line.

Fees for domestic services are based on individual services; fees for global services are dependent upon countries and investment strategy.

Countries covered by the global custody services are Argentina, Austria, Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Greece, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Philippines, Portugal, Puerto Rico, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, the United Kingdom and West Germany.

Wolfgang Strauss, vice president, is master trust client contact; Mark Aprahamian, vice president, is global custody client contact.

Citizens and Southern Trust

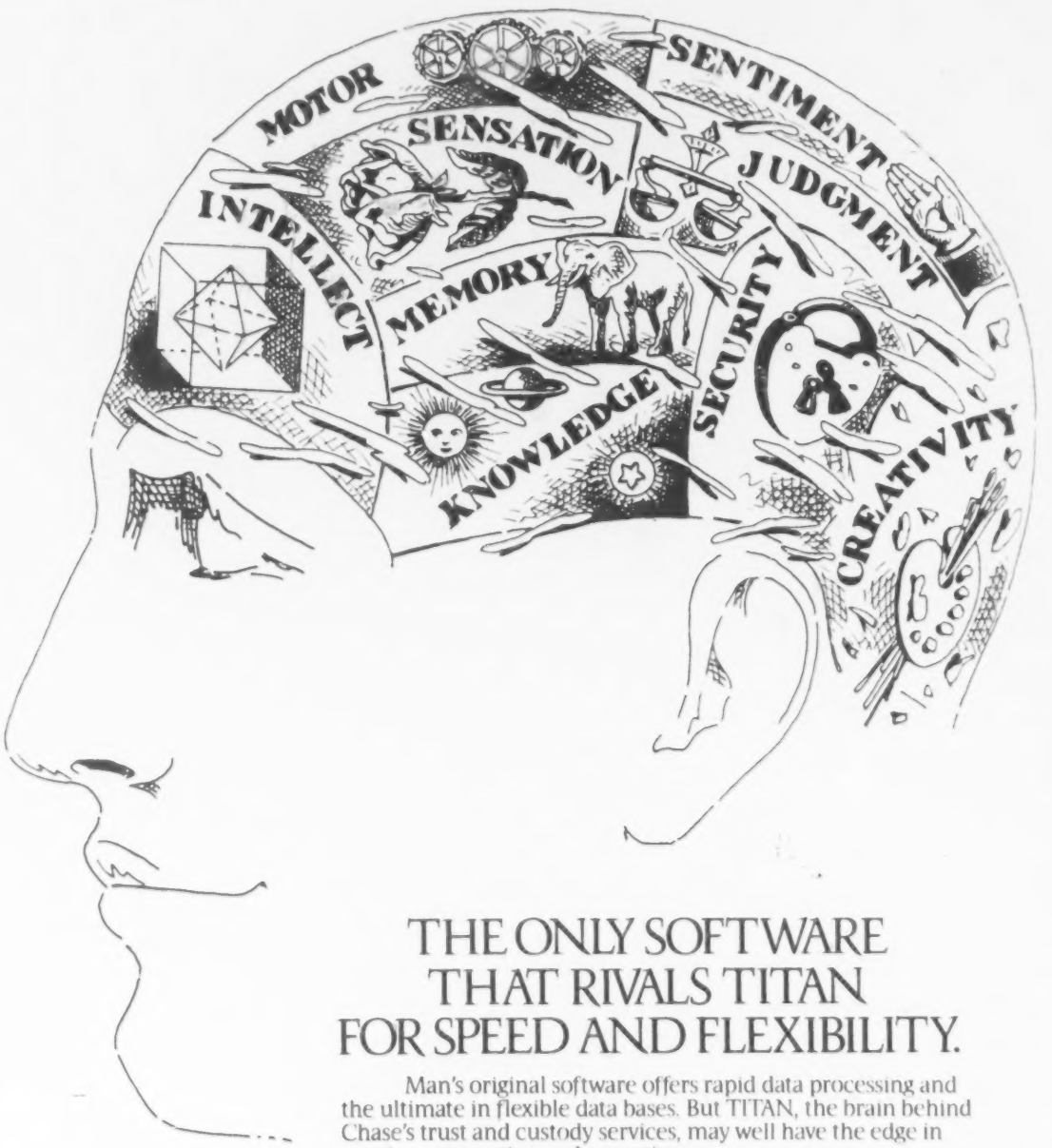
33 North Ave., Suite 900, Atlanta, Ga. 30302; (404) 897-4905

Domestic master trust	$4,500,000,000
Domestic master custodial	$9,500,000,000
Global custody	$100,000,000
Domestic master trust clients	47
Domestic master custodial clients	96
Global custody clients	3
Account supervisors	12

Citizen and Southern Trust Co.'s domestic master trust assets increased by $2.8 billion in the year ended June 30; domestic master custodial assets rose $1.2 billion; and global custody assets rose $50 million.

The primary accounting method is trade date accrual. Settlement date non-accrual is offered.

Services offered in the basic master



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CHASE

trust/master custodial agreement are financial accounting, transaction settlement and securities custody.

Services available for additional fees are portfolio evaluation participant record keeping, ERISA disclosure, investment management and benefit disbursement.

Monthly transaction reports are available in five days; asset and liability reports, in 10 days; and performance measurement reports, in 15 days. All reports are available on-line.

Fees for domestic services are based on a percentage of assets plus transaction fees; fees for global services are based on a percentage of assets.

Countries covered by the global custody services are the United Kingdom, France, West Germany, the Netherlands, Spain, Sweden, Switzerland, Australia, Hong Kong, Japan and Singapore.

The client contact is J. Dan Davis.

Consultants: Oct. 17.

Continental Illinois National Bank

30 N. LaSalle St., Chicago, Ill. 60697; (312) 828-3560

Domestic master trust	$10,658,000,000
Domestic master custodial	$4,277,000,000
Global custody	$1,500,000,000
Domestic master trust clients	42
Domestic master custodial clients	11
Global custody clients	22
Account supervisors	21

Continental Illinois National Bank's domestic master trust assets rose $467 million in the year ended June 30; domestic master custodial assets increased $149 million; and global custody assets grew by $100 million.

The primary accounting method is trade date full accrual. Settlement date is offered.

Services offered in the basic master trust/master custodial agreement are asset custody, trade execution, accounting and reporting, plan accounting, pensioner payments and nightly cash sweep.

Services available for additional fees are securities lending, performance measurement, global custody and investment management.

Monthly transaction reports are available in two business days; asset and liability reports, in six business days; and performance measurement reports, in 25 days. Transaction reports, asset and liability reports and pensioner history reports are available on-line.

Fees for domestic and global services are based on market value of assets and transactions.

Global custody services are offered in 23 countries.

The master trust client contact is Christopher S. Ross; the global custody client contact is Cheryl Derezinski.

First Interstate Bank

707 Wilshire Blvd., Los Angeles, Calif. 90017; (213) 612-3062

Domestic master trust	$3,871,000,000
Domestic master custodial	$6,475,000,000
Global custody	$24,000,000
Domestic master trust clients	8
Domestic master custodial clients	9
Global custody clients	2
Account supervisors	9

First Interstate Bank's domestic master trust assets rose $3.6 billion in the year ended June 30.

The primary accounting method is contractual settlement. Trade date is offered.

Services offered in the basic master trust/master custodial agreement are benefit disbursement, index funds and ERISA disclosure.

Services available for additional fees are securities lending and performance measurement.

Monthly transaction reports are available in two business days; asset and liability reports, in five business days; and performance measurement reports, in 30 days. Monthly transaction and asset and liability reports are available on-line.

Fees for domestic services are basis points based on market value plus transaction fees.

The master trust client contact is Al Antignolo.

First Pennsylvania Bank

15th and Market Streets, Philadelphia, Pa. 19101; (215) 786-7946

Domestic master trust	$3,918,000,000
Domestic master custodial	$28,598,000,000
Global custody	$300,000,000
Domestic master trust clients	20
Domestic master custodial clients	23
Global custody clients	3
Account supervisors	16

First Pennsylvania Bank's domestic master trust assets rose $144 million in the year ended June 30; domestic master custodial assets rose $1.392 billion; and global custody assets rose $300 million.

The primary accounting method is cash basis. Accrual basis accounting is offered.

Services offered in the basic master trust/master custodial agreement are cash basis reporting, securities movement and control, income collection and client terminal.

Services available for additional fees are performance comparison, performance measurement, accrual accounting, participant record keeping, pension payroll, cash management, securities lending, global custody, portfolio analytics, fail float, downloading and report writer.

Monthly transaction reports are available in five to seven business days; asset and liability reports, in five to seven business days; and performance measurement reports, in 10 to 15 business days. Asset and liability, daily transaction, cash projection and performance measurement reports are available on-line.

Fees for domestic services are based on market value, security, transaction volume and number of accounts using specific individual services. Fees for global services are calculated on a variable basis point scale for portfolio accounting and custody, and on a variable transaction charge by country group.

Countries covered by the global custody services are Japan, Austria, Canada, West Germany, Australia, Belgium, the Netherlands, New Zealand, Switzerland, Hong Kong, Singapore, Denmark, Finland, France, Italy, Malaysia, Norway, Thailand, the United Kingdom, Mexico, Spain and Sweden.

The client contact is James F. McHale, senior vice president.

First RepublicBank Dallas (NCNB Texas National Bank)

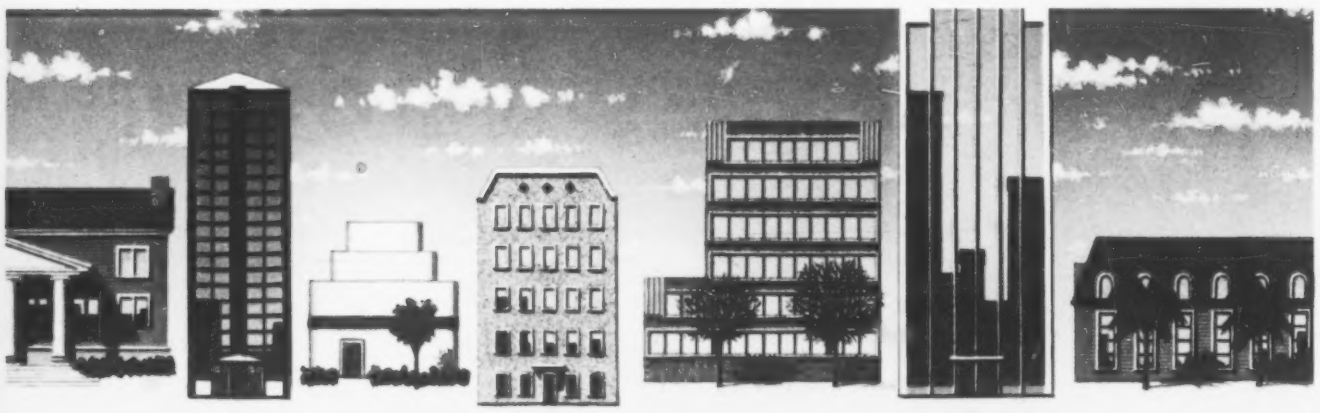
P.O. Box 83500, Dallas, Texas 75283-3500; (214) 922-6506

Domestic master trust	$23,900,000,000
Domestic master custodial	$12,200,000,000
Global custody	$510,000,000
Domestic master trust clients	189
Domestic master custodial clients	61
Global custody clients	6
Account supervisors	17

First RepublicBank Dallas' global custody assets rose $110 million in the year ended June 30. (Because of the June 30 deadline, this profile reflects only data of First RepublicBank Dallas. Other than the new name, no other changes stemming from the bank's bailout by NCNB Corp. are shown here.)

The primary accounting method is trade date (full accrual). Settlement date, cash or accrual basis accounting also are offered.

Services offered in the basic master trust/master custodial agreement are client on-line reporting and downloading, on-line DTC securities processing, on-line cash management and forecasting, fail float earnings, 150 accounting reports, global custody, plan accounting and reporting, pre-crediting dividends and interest on payable date in good funds, daily pricing, on-line benefit payments and control disbursement, securities lending, options and futures processing, on-line performance measurement and analytics, TUCS, asset allocation and simulation services, on-line investment manager affirmation, on-line cash management sweep services and on-line



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*Registered trademark of Wilshire Assoc.

institutional custody service.

Services available for additional fees are 401(k) and ESOP administration, government reporting, index funds, portfolio risk insurance, GIC wholesale service, dedicated bond portfolio, performance consulting, transition manager service, futures and options, international, real estate and energy investing.

Monthly transaction reports are available in two business days; asset and liability reports, in three to five business days; and performance measurement reports, in 10 business days. Assets, transactions, cash management and forecasting, performance measurement and benefit payments reports are available on-line.

Fees for domestic services are based on percentage of market value and transaction fees; fees for global services are based on percentage of market value.

Countries covered by the global custody services are Argentina, Australia, Belgium, Canada, Chile, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Jordan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

The client contact is David J. Pittman.

First Trust

180 E. Fifth St., St. Paul, Minn. 55101; (612) 223-7679

Domestic master trust	$1,341,000,000
Domestic master custodial	$1,633,000,000
Global custody	$10,000,000
Domestic master trust clients	17
Domestic master custodial clients	8
Global custody clients	2
Account supervisors	6

First Trust's primary accounting method is trade date/full income accrual. Settlement date is available.

Services offered in the basic master trust/master custodial agreement are comprehensive reporting, including investment manager reports, plan reports, ERISA reports and investment performance statements; securities lending; domestic and international custody, including securities clearance and settlement; benefit payment services; automatic cash management; equity index fund; participant record keeping for defined contribution plans; and collective investment funds.

Monthly transaction reports are available in 10 days; asset and liability reports, in 10 days; and performance measurement reports, in 15 days. All are available on-line.

Fees for domestic and global services are based on a percentage of assets plus charges for transactions.

Countries covered by the global custody services are Australia, Canada, Finland, West Germany, Hong Kong, Japan, the Netherlands, the United Kingdom, New Zealand and Cedel and Euroclear depositories. The firm expects to add Denmark, France, Italy, Mexico, Norway, Singapore, Spain, Sweden and Switzerland by Sept. 1.

The client contact is David F. Bodine, vice president.

First Wachovia

301 N. Main St., Winston-Salem, N.C. 27150; (919) 770-6348

Domestic master trust	$23,100,000,000
Domestic master custodial	$5,556,000,000
Global custody	$1,570,000,000
Domestic master trust clients	63
Domestic master custodial clients	28
Global custody clients	13
Account supervisors	26

First Wachovia's domestic master trust assets rose $2.072 billion in the year ended June 30; domestic master custodial assets rose $360 million; and global custody assets increased $832 million.

The primary accounting method is full accrual trade date adjusted. Settlement date accounting also is offered.

Services offered in the basic master trust/master custodial agreement are custody of assets, benefit payments, ERISA reporting, cash management, fail float analysis, monthly reporting, plan accounting, on-line inquiry, legal administrative guidance, administration and daily pricing.

Services available for additional fees are securities lending, global custody, asset allocation, options and futures processing, participant record keeping, performance measurement, portfolio analysis and comparative performance, customized reporting, trade execution reporting, equity index fund, GIC fund, charitable unitized accounting, private foundation accounting and tax preparation, and deferred gift administration.

Monthly transaction reports are available in five business days; asset and liability reports, in 10 business days; and performance measurement reports, in 15 business days. All reports are available on-line.

Fees for domestic services are based on a combination of market value and specific services provided; fees for global services are based on market value and transaction charge.

Countries covered by the global custody services are Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, West Germany, Greece, the Netherlands, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Jordan, Korea, Luxembourg, Malaysia, Mexico, New Zealand, Norway, the Philippines, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom and Uruguay.

Jane B. Fisher is client contact.

First Wisconsin Trust Co.

P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-4444

Domestic master trust	$2,916,000,000
Domestic master custodial	$1,510,000,000
Domestic master trust clients	22
Domestic master custodial clients	4
Account supervisors	8

First Wisconsin Trust Co.'s domestic master custodial assets rose $51 million in the year ended June 30.

The primary accounting method is fully accrued trade date adjusted.

Services offered in the basic master trust/master custodial agreement are plan accounting (dollar and unitized), care and custody of assets, transaction processing, cash management, consolidated and individual investment reviews, securities lending and absolute performance measurement.

Services available for additional fees are on-line access, relative performance measurement, benefit payments and participant record keeping.

Monthly transaction reports are available in two to three business days; asset and liability reports, in seven to eight business days; and performance measurement reports, in 10 to 12 business days. Monthly transaction reports, pending transactions, consolidated reports and liability reports are available on-line.

Fees for domestic services are based on market value and individual services provided.

The client contact is Robert Fuller.

The real estate directory will be published Sept. 19.

Guaranty Trust Co. of Canada

335 Bay St., 11th Floor, Toronto, Ontario M5H 3N8; (416) 975-4966

Domestic master trust*	$1,221,000,000
Domestic master trust clients	30
Account supervisors	3

*data in U.S. dollars

Guaranty Trust Co. of Canada's domestic master trust uses settlement date as its primary accounting method. Trade date reporting is offered.

Services offered in the basic master trust/master custodial agreement are income accruals, unitized accounting and consolidated reporting, cash management, portfolio analysis, performance measurement, report customization, legal administrative guidance, benefit disbursement, participant record keeping, securities lending, investment management consulting and options and futures processing.

Monthly transaction reports are available on the fifth business day; asset and liability reports, on the 10th

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The Bear Stearns Companies Inc., 245 Park Avenue, New York, New York 10167.

business day. Daily transaction summary, liquid asset reports, outstanding pending items, list of assets, schedule of maturing assets and anticipated cash balance reports are available on-line.

Fees are based on the average book value and number of plans.

The client contact is Doug Wannamaker, vice president-corporate services.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; (312) 461-7625

Domestic master trust	$39,437,000,000
Domestic master custodial	$1,170,000,000
Global custody	$1,800,000,000
Domestic master trust clients	68
Domestic master custodial clients	5
Global custody clients	13
Account supervisors	13

Harris Trust and Savings Bank's domestic master trust assets rose $3.837 billion in the year ended June 30; domestic master custodial assets increased $81 million; and global custody assets rose $300 million.

The primary accounting method is accrual/trade date. Cash/settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are custody, safekeeping, securities clearance, income collection, cash management, accounting and reporting, and global custody.

Services available for additional fees are benefit disbursement, securities lending, performance measurement, universe comparison, portfolio analysis and consulting, participant record keeping, on-line access, custom cash management, custom reporting and systematic investment management.

Monthly transaction reports are available in two to three business days; asset and liability reports, in three to seven business days; and performance measurement reports, in 10 to 15 business days. Asset, transaction, short-term investment position, broker commission, cusip number/ticker, hi/low, market change and performance measurement reports are available on-line.

Fees for domestic services are based on market value, transactions and individual services required; fees for global services are based on asset value, number of transactions and country.

Countries covered by the global custody services are Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Singapore, Spain, Sweden, Switzerland, the United Kingdom and Venezuela.

The client contacts are Walter J. Kowalczyk and Richard L. Deeter.

The International Trust Co.

P.O. Box 75, Royal Bank, Toronto, Ontario M5J 2J2; (416) 865-0515

Domestic master trust*	$2,560,000,000
Global custody	$8,000,000
Domestic master trust clients	20
Global custody clients	1
Account supervisors	6

*data in U.S. dollars

The International Trust Co.'s primary accounting method is settlement date. Trade date is offered.

Services offered in the basic master trust/master custodial agreement are trustee, custodial, income collection, valuations, settlement trades and accounting.

Services available for additional fees are securities lending, STIF, pooled funds, benefit payments and participant record keeping.

Monthly transaction reports are available in 10 days; asset and liability reports, in 10 days; and performance measurement reports, in 20 days. All are available on-line.

Fees for domestic services are based on book value, number of transactions and account structure. Fees for global services are based on market value and transaction volume.

All major countries are covered by the global custody services.

The client contact is William A. Pascoe.

Irving Trust Co.

1 Wall St., New York, N.Y. 10015; (212) 635-1720

Domestic master trust	$16,500,000,000
Domestic master custodial	$40,200,000,000
Global custody	$4,500,000,000
Domestic master trust clients	35
Domestic master custodial clients	44
Global custody clients	65
Account supervisors	53

Irving Trust Co.'s domestic master trust assets rose $1 billion in the year ended June 30; domestic master custody assets increased $3.2 billion.

The primary accounting method is fully accrued, trade date. Settlement date is offered.

Services offered in the basic master trust/master custodial agreement are transaction settlement, asset custody and servicing, reporting, zero balance sweep into STIF funds, on-line trade communications and reporting.

Services available for additional fees are performance analytics and consulting services, securities lending, specialized short-term investment funds, index funds and other investment management services.

Monthly transaction reports are available in five days; asset and liability reports, in five days; and performance measurement reports, in five days. All reports are available on-line.

Fees are calculated based on transactions and market value.

Countries covered by the global custody services are Australia, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Italy, Japan, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

The master trust client contact is P.L. McNamara, vice president; the global custody client contact is Robert Almanas, vice president.

Manufacturers Hanover Trust

450 W. 33rd St., New York, N.Y. 10001; (212) 613-7900

Domestic master trust	$24,000,000,000
Domestic master custodial	$11,796,000,000
Domestic master trust	109
Domestic master custodial clients	39
Account supervisors	22

Manufacturers Hanover Trust's domestic master trust assets rose $3 billion in the year ended June 30 and domestic master custodial assets increased $3.128 billion.

The primary accounting method is trade date. Settlement or contractual settlement and full accrual accounting are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping/custody, administration, zero balance, cash management, corporate action monitoring, compliance, ERISA reporting, on-line access, options/futures reporting, fail float protection and full financial reporting, including composite, manager, plan, customized and performance reports.

Services available for additional fees are performance measurement, benefit payments, securities lending, customized reporting, asset allocation, liability planning, comparative universes, TUCs and guarantor trusts.

Monthly transaction reports are available in two to three days; asset and liability reports, in five to seven days; and performance measurement reports, in eight to 10 days. All are available on-line.

MHT/London serves as custodian for $30 billion in global assets. It has correspondent banks in Australia, Belgium, Canada, Denmark, France, West Germany, Hong Kong, Italy, Japan, Luxembourg, Malaysia, the Netherlands, Norway, the Philippines, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

Fees for domestic services are based on asset value and individual services; global services fees are based on asset value, transactions and individual services.

The master trust client contact is Renee San Marco, vice president; the global custody client contact is Andrea Brett, vice president.

Manufacturers National Bank of Detroit

100 Renaissance Center, Detroit, Mich. 48243; (313) 222-4470

Domestic master trust	$14,800,000,000
Domestic master custodial	$8,700,000,000
Domestic master trust clients	12
Domestic master custodial clients	24

Manufacturers National Bank of Detroit's domestic master trust assets rose $1.79 billion in the year ended June 30; domestic master custodial assets rose $4.47 billion.

The primary accounting method is settlement date accounting and trade date accruals.

Services offered in the basic master trust/master custodial agreement are monthly remittances of accumulated income, monthly cash/asset statements, accrual summary accounting and complete custodial services.

Services available for additional fees are cash management, performance measurement, securities lending, benefit payments and participant record keeping.

Monthly transaction reports are available in five business days; asset and liability reports, in five business days; and performance measurement reports, in four weeks.

Transaction reports listing assets, cash projections, available cash, tax lots for an asset, market value of assets and pending trade reports are available on-line.

The client contact is James Sullivan.

Marine Midland Bank

250 Park Ave., New York, N.Y. 10177; (212) 503-2711

Domestic master trust	$1,500,000,000
Domestic master custodial	$1,200,000,000
Domestic master trust clients	29
Domestic master custodial clients	44
Account supervisors	10

Marine Midland Bank's domestic master custodial assets rose $600 million in the year ended June 30.

The primary accounting method is full accrual, trade date. Cash, modified cash and tax lot methods are offered.

Services offered in the basic master trust/master custodial agreement are trusteeship, safekeeping, income collection, effecting corporate actions, accounting reports, cash management and ERISA disclosure assistance.

Services available for additional fees are participant record keeping, performance measurement, portfolio analy-

U.S. master trust/master custody banks*
($ millions)

	Total	Master trust	Master custody
1. State Street Bank and Trust	190,235	90,834	99,401
2. Bankers Trust	171,000	135,500	35,500
3. Chase Manhattan Bank	148,200	63,200	85,000
4. Northern Trust	139,000	104,111	34,889
5. Boston Safe Deposit & Trust	114,619	38,623	75,996
6. Mellon Bank	104,624	92,054	12,570
7. Citibank	102,961	28,247	74,714
8. Bank of New York	97,784	43,684	54,100
9. Irving Trust	56,700	16,500	40,200
10. Security Pacific	55,200	4,200	51,000
11. Harris Trust	40,607	39,437	1,170
12. First RepublicBank Dallas	36,100	23,900	12,200
13. Manufacturers Hanover Trust	35,796	24,000	11,796
14. First Pennsylvania Bank	32,516	3,918	28,598
15. Nat'l Bank/Detroit	28,700	23,275	5,425
16. First Wachovia	28,656	23,100	5,556
17. Manufacturers Nat'l/Detroit	23,500	14,800	8,700
18. United States Trust**	17,200	12,600	4,600
19. Continental Illinois	14,935	10,658	4,277
20. Ameritrust	14,179	3,716	10,463
21. Citizens & Southern Trust	14,000	4,500	9,500
22. Wilmington Trust	12,941	12,675	266
23. Norwest Bank Minnesota	11,500	3,500	8,000
24. First Interstate Bank	10,346	3,871	6,475
25. Centerre Trust	6,213	1,632	4,581
26. Mercantile-Safe Deposit	5,100	2,800	2,300
27. First Wisconsin Trust	4,426	2,916	1,510
28. Marshall & Ilsley Trust	3,170	1,400	1,770
29. First Trust	2,974	1,341	1,633
30. Marine Midland Bank	2,700	1,500	1,200
TOTAL	1,525,882	832,492	693,390

*Only banks with $2 billion or more
**As of Dec. 31, 1987

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sis and review, securities lending, benefit disbursement, on-line access, plan accounting, options and futures processing and investment management.

Monthly transaction reports are available in five days; asset and liability reports, in five days; and performance measurement reports, in 15 days.

Fees are based on a percentage of total asset value, transaction costs and charges for individual services required.

The client contact is Lawrence T. McGowan, vice president.

Marshall & Ilsley Trust Co.

770 N. Water St., Milwaukee, Wis. 53202; (414) 287-7187

Domestic master trust	$1,400,000,000
Domestic master custodial	$1,770,000,000
Global custody	$8,000,000
Domestic master trust clients	46
Domestic master custodial clients	7
Global custody clients	2
Account supervisors	9

Marshall & Ilsley Trust Co.'s global custody assets increased $8 million in the year ended June 30.

The primary accounting method is accrual.

Services offered in the basic master trust/master custodial agreement are performance measurement, participant record keeping, ERISA disclosure, benefit disbursement and investment management.

Services available for additional fees are on-line access to trust account, participant record keeping and pension benefit information, and data downloading.

Monthly transaction reports and performance measurement reports are available in five to seven business days. Asset and liability and transaction reports are available on-line.

Fees for domestic services are based on asset value and individual services; fees for global services are based on asset value plus transactions.

All major foreign securities markets are covered by the global custody services.

The client contact is Morry L. Birnbaum.

Mellon Bank

1 Mellon Bank Center, Pittsburgh, Pa. 15258; (412) 234-5000

Domestic master trust	$92,054,000,000
Domestic master custodial	$12,570,000,000
Global custody	$1,900,000,000
Domestic master trust clients	108
Domestic master custodial clients	16
Global custody clients	33
Account supervisors	21

Mellon Bank's domestic master trust assets rose $5.857 billion in the year ended June 30; domestic master custodial assets rose $660 million; and global custody assets rose $300 million.

The primary accounting method is trade date fully accrued. Cash accounting is offered.

Services offered in the basic master trust/master custodial agreement are conversion, administration, automated cash sweep, cash management, accounting and reporting.

Services available for additional fees are securities lending, global custody, participant record keeping, pension disbursement, performance measurement, option, futures and on-line services.

Monthly transaction reports are available in three days; asset and liability reports, in three to five days; and performance measurement reports, in three to five weeks. All are available on-line.

Fees for domestic services are based on a combination of asset value, individual services and account activity; global services fees are based on account base charge, asset value charge and transaction charge.

Countries covered by the global custody services are Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Ecuador, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Peru, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom, Uruguay and Venezuela.

The client contact is Gary A. Rothman.

Canadian master trust banks

	U.S. $ mils.
Royal Trust/Canada	17,843
National Trust	6,800
Montreal Trust/Canada*	6,200
International Trust	2,560
Guaranty Trust/Canada	1,321
TOTAL	34,724

*As of March 31, 1988

Mercantile-Safe Deposit & Trust Co.

2 Hopkins Plaza, Baltimore, Md. 21201; (301) 237-55[illegible]

Domestic master trust	$2,800,000,000
Domestic master custodial	$2,300,000,000
Global custody	$88,000,000
Domestic master trust clients	28
Domestic master custodial clients	3
Global custody clients	2
Account supervisors	9

Mercantile-Safe Deposit & Trust Co.'s primary accounting method is theoretical settlement date with accrual accounting.

Services offered in the basic master trust/master custodial agreement are ERISA reporting, benefit payments, cash management and option transactions.

Services available for additional fees are participant record keeping and foreign custody.

Fees for domestic services are based on principal and income; fees for global services are based on total market value.

Countries covered by the global custody services are Australia, Bahamas, Belgium, Brazil, Canada, Channel Islands, Denmark, France, West Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, Norway, the Philippines, Singapore, South Africa, Spain, Sweden and Switzerland.

The master trust client contact is Alton A. Shoda; the global custody client contact is James H. Clark.

Montreal Trust Co. of Canada

15 King St. W., Toronto, Ontario M5H 1B4; (416) 860-5555

Domestic master trust*	$6,200,000,000
Global custody	$122,000,000
Domestic master trust clients	87
Global custody clients	10
Account supervisors	14

*data in U.S. dollars as of March 31

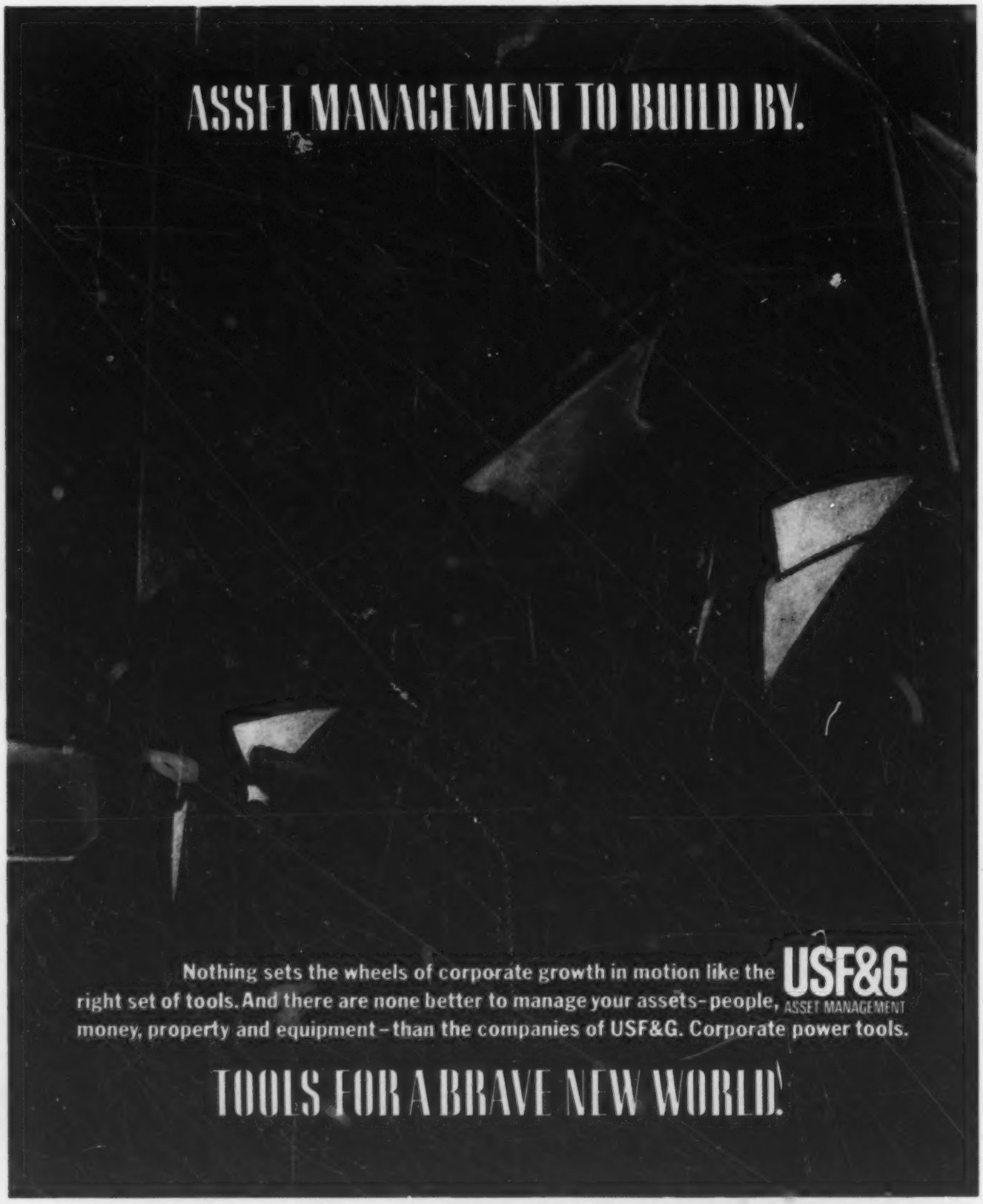
Montreal Trust Co. of Canada uses settlement date accounting as its primary accounting method.

Services offered in the basic master trust/master custodial agreement are corporate trusteeship for consolidated pension funds, consolidated accounting, government reporting, automated crediting and allocation of dividends and interest, trust documentation, benefit payments, securities lending, global custody, options processing, on-line and microcomputer reporting, index fund and short-term investment fund.

Services available for additional fees are unitization, transaction fees, benefit payments, dial-up systems, customized reports, Department of National Revenue reporting, special work/activities, audit letters, mortgage administration, strip coupon custody and wire transfers.

Monthly transaction reports are available in 10 business days; asset and liability reports, in 10 business days; and performance measurement reports, in 15 business days. Basic accounting and portfolio data are available on-line.

Fees for domestic services are based on the average book value of the fund, while those for global services are based on market value at the end of each month in Canadian dol-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More than 20 countries are covered by global custody services.

The domestic master trust client contact is Raymond W. La Force; global custody client contact is Arlene M. Matthew.

National Bank of Detroit

611 Woodward, Detroit, Mich. 48226; (313) 225-2660

Domestic master trust	$23,275,000,000
Domestic master custodial	$5,425,000,000
Global custody	$500,000,000
Domestic master trust clients	142
Domestic master custodial clients	61
Global custody clients	20
Account supervisors	15

National Bank of Detroit's domestic master custodial assets increased $2.27 billion in the year ended June 30; global custody assets rose $115 million.

The primary accounting methods used are trade date and settlement date.

Services offered in the basic master trust/master custodial agreement are custody, benefit disbursements, cash management, performance measurement, portfolio review, securities lending, global custody and data monitoring.

Services available for additional fees are participant record keeping and investment management.

Monthly transaction reports and asset and liability reports are available in five to seven business days; performance measurement reports are available in five to 30 business days. All reports are available on-line.

Fees for domestic services are based on asset value and transactional activity; fees for global services are based on securities fees and transactional activity.

All countries are covered by global custody services.

The client contact is Larry D. Rankens, assistant vice president.

Public funds: Nov. 28.

National Trust Co.

21 King St. E., Toronto, Ontario M5C 1B3; (416) 361-3844

Domestic master trust*	$6,800,000,000
Domestic master trust clients	100
Account supervisors	15

*data in U.S. dollars

National Trust Co.'s primary accounting method is contractual settlement date with a schedule of pending trades.

Services offered in the basic master trust/master custodial agreement are master trust reporting, benefit disbursements, income collection and safekeeping of securities.

Services available for additional fees are performance measurement, securities lending, index fund, STIF, on-line inquiry and data downloading.

Monthly transaction reports are available in five business days; asset and liability reports, in 10 business days; and performance measurement reports, in 12 business days. Monthly statement of accounts and monthly valuation reports are available on-line.

Fees are based on the book value of assets, plus transaction fees.

National Trust's client contact is Paul Lewis, vice president-employee benefit services.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000

Domestic master trust	$104,111,000,000
Domestic master custodial	$34,889,000,000
Global custody	$4,300,000,000
Domestic master trust clients	216
Domestic master custodial clients	45
Global custody clients	56
Account supervisors	47

The Northern Trust Co.'s domestic master trust assets rose $22.154 billion in the year ended June 30; and domestic master custodial assets increased $7.704 billion.

The primary accounting method is settlement date, fully accrued. Trade date reporting is offered.

Services offered in the basic master trust/master custodial agreement are administration, custody of assets, trade settlement, income collection, daily pricing, coding, capital structures changes, automated tax-lot accounting, investment reports and automated cash sweep.

Overall rating of master trust banks by corporate pension executives

Bank	Rating	Number of responses*
Mellon Bank	5	6
Nat'l Bank/Detroit	4	4
Harris Trust	4	5
State Street Bank	4	9
Bankers Trust	4	16
Bank of New York	4	3
Northern Trust	4	15
Irving Trust	4	3
Boston Safe Deposit	4	4
Citibank	4	4
Chase Manhattan	4	11
First Wachovia	3	3

*Does not include banks with fewer than three responses

Services available for additional fees are global custody, electronic delivery system, cash investments, structured investments, traditional investments, performance measurement, securities lending, benefit payments and options and futures accounting.

Monthly transaction reports are available in three business days; asset and liability reports, in five business days; and performance measurement reports, in 19 to 25 days. All reports are available on-line.

Fees for domestic services are based on the number of investment managers, number and types of transactions and market value of assets. Global custody fees consist of a base charge per investment manager portfolio plus a percentage of the market value of the assets.

Thirty countries are covered by global custody services.

The master trust client contact is Thomas W. Kimen, senior vice president; the global custody client contact is Jennifer Kamp Cameron, vice president.

Norwest Bank Minnesota

6th Street and Marquette, Minneapolis, Minn. 55479; (612) 667-8123

Domestic master trust	$3,500,000,000
Domestic master custodial	$8,000,000,000
Global custody	$220,000,000
Domestic master trust clients	20
Domestic master custodial clients	450
Global custody clients	5
Account supervisors	12

Norwest Bank Minnesota's domestic master trust assets rose $111 million in the year ended June 30; domestic master custodial assets increased $215 million; and global custody assets rose $60 million.

The primary accounting method is cash accounting. Share accounting and unit accounting are offered.

Services offered in the basic master trust/master custodial agreement are record keeping, custody, administration, reporting, security control, income collection and asset valuation.

Services available for additional fees are cash management, investment management, performance analysis and securities lending.

Monthly transaction reports, asset and liability reports and performance measurement reports, all are available eight days after the end of a period. Transaction and asset/liability reports are available on-line.

Fees for domestic and global services are based on market value.

Norwest subcontracts global services through Morgan Stanley covering 22 countries.

The master trust client contact is Kerry Noyes; the global custody client contact is John Hanson.

Royal Trust Corp. of Canada

P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9; (416) 864-6586

Domestic master trust assets*	$17,843,000,000
Domestic master trust clients	150
Account supervisors	15

*data in U.S. dollars

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Royal Trust Corp. of Canada's domestic master trust assets rose $957 million in the year ended June 30.

The primary accounting method is settlement date. Full adjustment to trade date in statements is offered.

Services offered in the basic master trust/master custodial agreement are full safe-custody; Canadian, U.S. and overseas settlement and income collection (income anticipated on Canadian and U.S.); corporate changes; automatic credit for maturities redemption; expiry date notification; full financial reporting, including total fund and component return calculations; and full benefit payment services.

Services available for additional fees are performance measurement and analysis; securities lending; on-line entry and inquiry; downloading; asset/liability forecasting; global custody; and domestic and foreign investment management.

Monthly transaction reports are available in three to four days; asset and liability reports, in 10 to 20 days; and performance measurement reports, in seven weeks.

Transactions, assets, trade status, cash forecasting and asset valuations and analysis reports are available on-line.

Fees for domestic services are based on asset value, transactions and report changes; fees for global services are based on asset value.

All countries are covered by global custody services.

The client contact is Richard Holloway, director-pension services.

Security Pacific

333 S. Grand Ave., Suite 1740, Los Angeles, Calif. 90071; (213) 229-2996

Domestic master trust	$4,200,000,000
Domestic master custodial	$51,000,000,000
Global custody	$1,200,000,000
Domestic master trust clients	17
Domestic master custodial clients	40
Global custody clients	8
Account supervisors	11

Security Pacific's domestic master trust assets rose $1 billion in the year ended June 30; domestic master custodial assets rose $16 billion; and global custody assets rose $500 million.

The primary accounting method is trade date, with full accruals. Contractual and cash basis methods are offered.

Services offered in the basic master trust/master custodial agreement are benefit payments, securities lending, performance measurement, on-line inquiry, analytics, global custody, customized reporting, ERISA reporting, PC workstation, unitized accounting and asset liability reports.

Services available for additional fees are performance measurement, benefit payments, portfolio analytics, global clearance and securities lending.

Monthly transaction reports are available in one day; asset and liability reports, in five to seven days; and performance measurement reports, in two to three weeks. Transaction, asset list, trade status, account history, statements, anticipated income and securities lending reports are available on-line.

Fees for domestic and global services are based on market value and activity charges.

Global custody services are offered in 24 countries.

The client contact is Brad Marcus.

State Street Bank and Trust

P.O. Box 1992, Boston, Mass. 02101; (617) 847-7490

Domestic master trust	$90,834,000,000
Domestic master custodial	$99,401,000,000
Global custody	$17,850,000,000
Domestic master trust clients	158
Domestic master custodial clients	69
Global custody clients	107
Account supervisors	94

State Street Bank and Trust Co.'s domestic master trust assets rose $2.166 billion in the year ended June 30; domestic master custodial assets increased $1.701 billion; and global custody assets rose $3.3 billion.

The primary accounting method is true trade date, full accrual.

Services offered in the basic master trust/master custodial agreement are safekeeping, cash management, trade settlement, income collection, corporate action monitoring, cash availability, accounting for real estate, venture capital, options, futures, daily, weekly and monthly valuation, fiduciary control, plan accounting, securities lending and performance measurement.

Services available for additional fees are multicurrency reporting, on-line services, sample, portfolio diagnostics, BARRA model, asset allocation and global performance.

Monthly transaction reports are available in three to seven business days; asset and liability reports, in five to seven business days; and performance measurement reports, in seven to nine business days. All are available on-line.

Fees are based on asset value, portfolio structure and trading values. Optional services are priced according to number of accounts.

Countries covered by the global custody services are Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Singapore, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

The client contacts are: John Houlihan, senior vice president, master trust division; J.D. Nelson, senior vice president, public funds division; Gustaff V. Fish, vice president, master custody division; and Frank D. Antin, vice president, North America global custody.

United States Trust Co.

45 Wall St., New York, N.Y. 10005; (212) 806-4500

Domestic master trust*	$12,600,000,000
Domestic master custodial	$4,600,000,000
Global custody	$134,000,000
Domestic master trust clients	148
Domestic master custodial clients	91
Global custody clients	55
Account supervisors	25

*data as of Dec. 31

United States Trust Co.'s domestic master trust assets increased $1.371 billion in the year ended Dec. 31; domestic master custodial assets rose $300 million; and global custody assets grew by $43.55 million.

The primary accounting method is average cost. Other accounting methods offered include low cost, high cost, amortization, accretion, LIFO and FIFO. Reporting can be provided by trade date and settlement date with pending addenda.

Services offered in the basic master trust/master custodial agreement are accounting, reporting, cash management and STIF sweep.

Services available for additional fees are performance measurement, securities lending, investment consulting and global custody.

Monthly transaction reports are available in two to three business days; asset and liability reports, in five to seven business days; and performance measurement reports, in six to eight business days. Transaction, priced asset listings and performance measurement reports are available on-line.

Fees for domestic services are based on transaction volumes and market value; fees for global services are asset and transaction-based, depending on the countries involved.

Countries covered by the global custody services are the United Kingdom, France, Switzerland, Japan, Italy, West Germany, Canada, the Netherlands, Australia, Belgium, Denmark, Finland, Hong Kong, Luxembourg, Mexico, Norway, Philippines, Singapore, South Africa, Spain and Sweden.

The client contact is Joseph D'Addario, vice president.

Wilmington Trust Co.

Rodney Square North, Wilmington, Del. 19890; (302) 651-1000

Domestic master trust	$12,675,000,000

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Custodians

Continued from page 23

were down, but also, pension fund sponsors put a lot of decisions on hold about international investments, asset allocation and so forth. There was a wait-and- see attitude that lasted from Oct. 19 to the first quarter when not a lot was happening."

Mr. Golz confirmed that was not the case, however, on the master custody side, as public fund sponsors decided to hire master custodians.

Surpassing State Street in master trust assets this year are Bankers Trust Co., New York, and Northern Trust Co., Chicago. Bankers Trust, whose combined assets of $171 billion make it No. 2 on the chart, has $135.5 billion in master trust assets. Bankers Trust excluded $46 billion in thrift assets in last year's survey, which partly accounts for the increase this year.

Northern Trust has $104.1 billion in master trust assets and combined assets of $139 billion, ranking fourth overall.

Bankers Trust this year usurped Chase Manhattan Bank's position as the second largest provider of master trust/master custodial services, even though its market share declined to 11.6% from 12%.

Chase Manhattan reported combined assets of $148.2 billion, with a market share of 9.7%, up from 8.3% a year ago. Northern Trust's market share increased to 9.1%, up from 8.8%, and it remained the fourth largest provider of master trust/master custodial services.

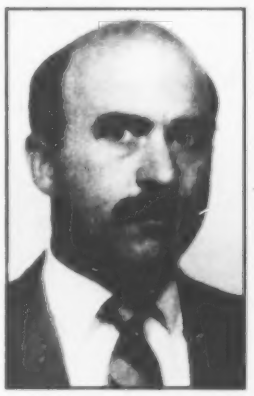
Boston Safe Deposit & Trust Co. reported combined master trust/master custodial assets of $114.6 billion, for a market share of 7.5%. It moved to the No. 5 position, up from No. 8 last year.

Of the remaining five banks in the top 10, Mellon Bank, Pittsburgh, has 6.9% of the market; Citibank, New York, 6.7%; Bank of New York, 6.4%; Irving Trust Co., New York, 3.4%; and Security Pacific, Los Angeles, 3.6%.

Missing from this year's list is Bank of America, San Francisco, which no longer is in the market. In last year's survey, Bank of America reported $16.3 billion in master trust/master custodial assets.

In January, after months of problems with its trust accounting system, BankAmerica Corp. shifted most of its institutional trust business to a subsidiary, Seattle First National Bank. The bank had spent $60 million to improve the malfunctioning MasterNet system, which cost $20 million. ■

Rodger F. Smith, a partner of Greenwich Associates (above), and Mike Wright, a consultant with The Wyatt Co.



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Continued from page 37

Domestic master custodial	$266,000,000
Global custody	$1,143,000,000
Domestic master trust clients	10
Domestic master custodial clients	2
Global custody clients	67
Account supervisors	5

Wilmington Trust Co.'s domestic master trust assets rose $38 million in the year ended June 30; domestic master custodial assets increased $126 million; and global custody assets rose $7 million.

The primary accounting method is trade date, fully accrued. Contractual settlement date and cash accounting are offered.

Services offered in the basic master trust/master custodial agreement are custody, cash management, master trust reporting and options and futures processing.

Services available for additional fees are investment and analytic services, on-line access, securities lending, global custody, pension disbursement and participant record keeping.

Monthly transaction reports are available in one day; asset and liability reports, in two days; and performance measurement reports, in 14 days. Monthly transaction and asset and liability reports are available on-line.

Fees for domestic and global services are based on asset value and transaction charges.

Countries covered by the global custody services are Austria, Australia, Bahamas, Belgium, Brazil, Canada, Channel Islands, Denmark, France, Finland, West Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, Norway, the Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

The client contact is Barbara A. Uberti, assistant vice president.

California glides to success

Master custody set-up runs smoothly

By Trudy Ring

SACRAMENTO, Calif. — Setting up the nation's largest master custodial account — for the $46 billion California Public Employees' Retirement System — was a challenging exercise that has paid off.

In January 1987, the California fund selected Boston Safe Deposit & Trust Co., Boston, as its first master custodian after a change in state law allowed the fund to use an outside custodian rather than the state treasurer's office.

When the treasurer had custody of the fund, securities were housed at various locations; the three primary ones were the treasurer's office and two depositories. Pulling everything together required a great deal of work on the part of the new custodian, said Basil Schwan, assistant executive officer in charge of the fund's investment operations.

"It's always easier, of course, if you are dealing with a single predecessor," said Robert Mainer, senior vice president and deputy manager of the institutional markets group at Boston Safe. "We had multiple sources of information (on the securities held by the fund). That made it, admittedly, more challenging than if it had all been in one place."

But the account was up and running by May 1987. Most of the lag time was due to contract negotiations, often a time-consuming process; once those were settled, Boston Safe geared up to service the account.

"We thought their ability to do that quickly was quite amazing," Mr. Schwan said.

"It was quite a challenge for Boston Safe to identify everything and make that conversion" to the new account, he said.

At the peak of the preparation for taking over the account, Boston Safe had 48 people working on it; they were involved in such aspects as transferring information to Boston Safe's computer system, modifying the system as needed and reconciling securities, Mr. Mainer said. Of this group, 16 were on a team dedicated primarily to the project; the others came in as needed.

The effort was almost exclusively Boston Safe's, Mr. Schwan said; the California fund had two staff members working on getting the information to the custodian.

Problems that sometimes crop up when changing custodians — such as mistakenly accounting for securities a fund really doesn't hold, or missing some it does — didn't occur to any significant extent, thanks to Boston Safe's skill, Mr. Schwan said.

Mr. Mainer noted Boston Safe had an elaborate plan and schedule for taking over the account, identifying each necessary step and the person responsible for it, so this kept problems at bay.

Also, he said, the retirement system's money managers were satisfied with the transfer's smoothness — something they don't always find.

After the information was gathered, Boston Safe was well prepared technologically to service the account, Messrs. Schwan and Mainer said.

"The systems impact, despite the size of the account, was moderate," Mr. Mainer said. "Largely, that was a matter of adaptation of existing systems to the particular requirements of California PERS."

Certain customization of the system was involved in setting up computer links among the Boston Safe headquarters, the pension fund office and the California treasurer's and controller's offices.

The fund staff has on-line access to Boston Safe's data on the account, including information on transactions, cash flow and portfolio makeup and analytical material on investment managers' strategies, risks and returns.

This is far from the California fund's previous, manual system of keeping records.

"The currency and the accessibility is mind-boggling," Mr. Schwan said. "We've gone light-years in just one year."

The treasurer's office didn't have such technology, a major factor California fund officials considered in their master custodian search. "We were most interested in somebody who would make a commitment to get us up to speed in a very short time," he said.

Basil Schwan of the California Public Employees' Retirement System

Any of the five finalists in the search likely could have done the job, but Boston Safe was rated highest by the fund's staff, Mr. Schwan said. The other finalists were Bank of New York, Bankers Trust Co. and Chase Manhattan Bank, all of New York, and State Street Bank and Trust Co., Boston. "We have not had any regrets" about choosing Boston Safe, he said.

Nor has Boston Safe regretted taking on the account. "It's a stimulating account, because it's great to work with people who are front runners in whatever field they're in," Mr. Mainer said. ■

Execs content

Continued from page 23

three pension executives; 32 had that many responses from money managers.

Mellon Bank, while tops among pension executives, was 11th among trustee banks rated by managers. It had an overall score of 4, with responses from 21 managers.

Harris Trust — which was ranked first by managers in 1986 with a 4.4 rating — was 17th this year with a 3.9 rating. It was rated by 21 managers, up from 18 two years ago. This year's champion, Marshall & Ilsley, was third in 1986, with a 4.3 rating from managers.

Master trust banks rated by the greatest number of managers were Northern Trust, with 30 responses; State Street Bank & Trust Co., Boston, and Bankers Trust, with 28 each; and Chase Manhattan, with 27. ■

Overall ranking of master trust banks by investment managers

	Rating	Number of responses*
1. Marshall & Ilsley Trust	4.5	6
2. Ameritrust	4.4	9
3. Wilmington Trust	4.4	5
4. Continental Illinois	4.3	10
5. Texas Commerce	4.3	7
6. First City Nat'l/Dallas	4.25	4
7. Trust Co. Bank	4.25	4
8. First Trust Co./St. Paul	4.1	10
9. Northern Trust	4.1	30
10. First Pennsylvania	4	5
11. Mellon Bank	4	21
12. Manufacturers/Detroit	4	5
13. State Street Bank	4	28
14. Boston Safe Deposit	3.95	23
15. Bank of New York	3.9	13
16. Citibank	3.9	21
17. Harris Trust	3.9	21
18. Irving Trust	3.9	18
19. Security Pacific	3.9	9
20. Norwest Bank	3.85	7
21. First Wachovia	3.75	16
22. Marine Midland Bank	3.75	4
23. Bankers Trust	3.6	28
24. Centerre Trust	3.5	10
25. Citizens & Southern	3.5	4
26. United States Trust	3.45	11
27. Chase Manhattan Bank	3.4	27
28. First Wisconsin Trust	3.4	8
29. Manufacturers Hanover	3.4	18
30. Nat'l Bank/Detroit	3.3	13
31. Mercantile-Safe Deposit	3.25	8
32. First RepublicBank	3.1	9

*Does not include banks with fewer than three responses

Global

Continued from page 23

all service a 4; more than a third rated service a 3.

Fees didn't earn good marks either (*see related story, page 24*).

While only 13% of executives said their domestic master trustee fees were high, 37% of respondents to the global custody survey said their fees were high; 78% said domestic master trust fees were average, compared with 60% who rated global custody fees as average.

Fees might come down as competition heats up. One newcomer, Morgan Stanley Trust Co., already has $1.67 billion in global custody assets.

Irving Trust, now using Mitsubishi for global custody, will launch its own global custody product by the end of the year, according to Robert Almanas, vice president and global custody product manager.

In addition, Barclays Bank PLC, New York, will plug into the existing global custody system at its London headquarters to accommodate U.S. clients by Jan. 1, said Joseph Vierno, vice president-global custody group. ■

Phoenix Mutual hits $2 billion

HARTFORD, Conn. — The Phoenix Mutual Life Insurance Co. has reached the $2 billion milestone in pension fund assets under management with the addition recently of $88.2 million from three new clients.

H. Russell Irving, vice president-pensions, attributed the 25% annual growth rate to the insurance company's "outstanding investment performance in equities, real estate and guaranteed investment contracts, and to aggressive marketing."

Phoenix Mutual Life, which manages $7.7 billion in assets, has significantly broadened its geographical mix of clients in the past three years. ■

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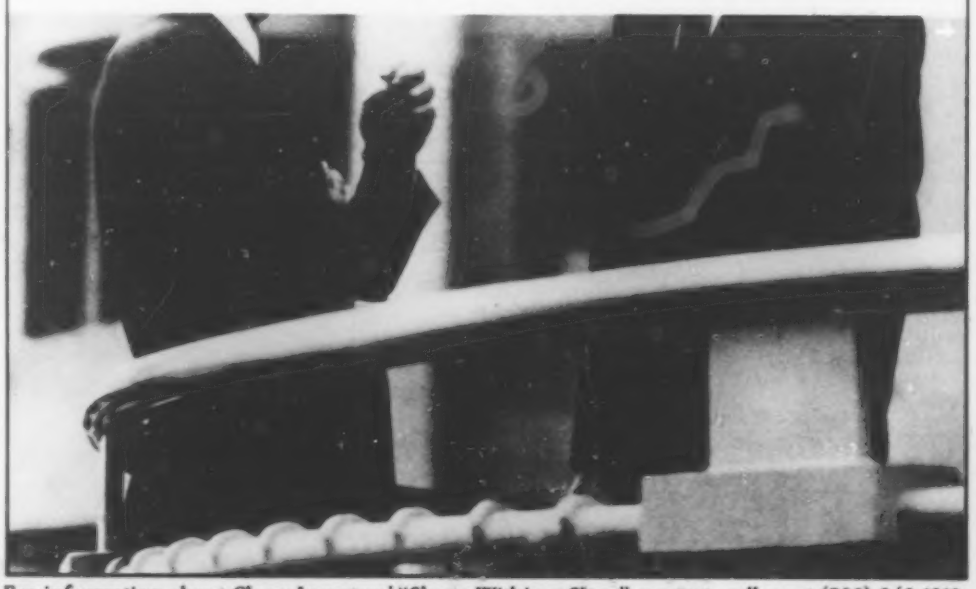

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MASTER TRUST

1980s prosperous for Boston Co.

BOSTON — By any objective measure, The Boston Co. Inc. ranks as one of the major success stories of the 1980s in the investment management and trust business.

Since 1982, tax-exempt assets under management have increased to $14.4 billion from $5.3 billion; master trust and master custody assets have increased to $110 billion from $14.6 billion; and the company's own assets have increased to $15.3 billion from $664 million.

Those are impressive growth figures, especially for a company that seemed to have lost its way in the late 1970s when it sold off a number of investment counseling subsidiaries acquired in the early part of the decade.

At the end of 1981, The Boston Co.'s chief subsidiary, Boston Safe Deposit & Trust Co., ranked 963 among trust organizations in terms of assets. It now ranks 20th.

The surge in growth dates from the firm's acquisition in 1981 by Shearson Lehman Brothers Inc., and the appointment in 1982 of James von Germeten as president and chief investment officer.

The company was searching for a new sense of direction in 1982, Mr. von Germeten said in an interview. It set out to identify those market opportunities that offered a lot of potential for growth and that were large enough for a new entrant to make an impact, even if it faced entrenched competition.

"Then we decided to focus our resources on a handful of these opportunities — master trust, mutual funds, quantitative investment management and individual client business — while building the company's balance sheet," he said.

"In every case we were told we were too late to be successful, that there was too much competition already."

The Boston Co. committed a substantial amount of capital and talent to the targeted areas. In the master trust area, for example, investments for system development and enhancement were $1.7 million in 1983, $1.9 million in 1984, $2 million in 1985, $3.9 million in 1986, $5 million in 1987 and an estimated $6.8 million for 1988.

The company's executives realized that to be successful, they would have to invest incrementally in the systems, said Jean C. Tempel, executive vice president and head of the corporate operations group. They knew they could not make an initial investment and then relax. "This is an evolutionary development process. You must keep investing."

One reason the company has been able to grow in its chosen niches, said Robert C. Mainer, senior vice president, is that it has been able to reinvest all of its profits. It has paid none of its earnings to its parent, Shearson Lehman Hutton Inc., since 1981.

According to Mr. von Germeten, this is because the return on equity of the Boston Co. has been so high — 35% to 40% per year — "this is as good a place as the company has to invest money."

The result, said Mr. Mainer, is a company able to invest in systems and hire people ahead of needs.

Boston Safe Deposit & Trust won its first major master trust account in 1978 when it was hired by the then-Mountain Bell pension fund, a $600 million account. Soon after, Eastman Kodak Co., Rochester, N.Y., hired the company. Last year, Boston Safe Deposit & Trust was hired by the nation's largest pension fund, the $44 billion California Public Employee Retirement System, as master custodian.

Besides master trust and master custody, The Boston Co. now manages $14.4 billion, with $10.1 billion of that in active accounts and $4.3 billion in passive accounts.

As with master trust, The Boston Co. was late getting into the index fund arena, beginning seriously only in 1983, but it has gained rapidly.

Rapid growth apparently has not hurt the quality of the company's services.

Claude R. Perrier, executive director of the $1.4 billion Maine State Retirement System, said his fund was well satisfied with The Boston Co.'s services. Besides serving as master custodian, it is running close to $400 million for Maine, said Mr. Perrier. These assets are in an index fund and in a cash management program.

In addition, The Boston Co. carries out a securities lending program for the fund. "All in all, they have a nice range of services," he said. ■

Program set to accredit consultants

SCOTTSDALE, Ariz. — The Institute for Investment Management Consultants is offering a national certification and accreditation program for investment consultants and those interested in the profession.

The national, non-profit organization is embarking on a major membership campaign as a prologue to developing continuing education and recognition programs for consultants.

Veteran consultants can earn designation as chartered certified investment management consultants by meeting eight criteria based on expertise, comprehensive services provided and longevity in the profession. The chartered CIMCs will make up a national certification board, which will establish certification criteria for future CIMCs.

Consultants who do not satisfy the charter certification criteria and those who want to build their credentials as investment management consultants can participate in the IIMC accreditation program, which will consist of home-study courses resulting in the designation accredited investment management consultant.

Money managers who regularly work with consultants can join as associate members. Consultants and those interested in the profession qualify for general membership.

Information about membership, certification and accreditation can be obtained by contacting IIMC, P.O. Box 6123, Scottsdale, Ariz. 85261, or by calling (602) 482-6705. ■

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PIPER

'Junk' turns into gold for fund

By Trudy Ring

Small bond funds concentrating on high-yield and high-coupon instruments fared well in the quarter and year ended June 30, according to Pensions & Investments' Performance Evaluation Report.

The report ranks 288 pooled fixed-income funds run by banks and insurance companies. During the quarter and year, the median PIPER bond fund return topped the Shearson Lehman Hutton Government/Corporate bond index, returning 1.2% and 7.7% respectively, against the index's 1% and 7.5%.

For longer periods, however, the median return trailed the index. For the three years ended June 30, the median fund had a compound annual return of 10.2%, compared with the index's 10.7%. For the five years, the median was 11.5%, vs. 12.2% for the index, and for the 10 years, the median fund returned 10.4% against 10.8% for the index. All returns for periods of more than a year are annualized.

In the quarter, First Variable Life Insurance Co., Little Rock, Ark., took top honors with a 5.6% return for its high-yield fund. The $2 million fund invests in junk bonds, but is particular about the quality of the issuing company.

"We are extremely selective in what we buy," said Rebecca H. Gartner, vice president of Amherst Investment Management, Little Rock, an affiliated company that runs the fund. "We buy for the long haul — we do not buy for the flip."

The fund was second for the year, with 11.5%. It also finished in the top 10% for the three- and five-year periods, with 13.6% and 14.1% respectively. The fund is too new to be included in the 10-year period.

Ms. Gartner attributed the fund's success to buying bonds of companies that are high-quality operations despite the below-investment-grade status of the securities. Investments in **Lorimar-Telepictures Corp., Knoll International Holdings Inc., Borg-Warner Holdings Corp.** and **Tonka Corp.** made big profits for the fund recently, she said. The fund's average maturity is 17 years.

Another high-yield fund, Washington-based Union Labor Life Insurance Co.'s Separate Account B, was first for the year with 12.7%. It was sixth for the quarter, with nearly 3%, and in the top 20% for the three- and five-year periods, with 11.8% and 12.6% respectively. It also is too new for the 10-year period.

The $15 million fund concentrates on bonds of basic-industry companies that have solid fundamentals or turnaround potential, said Barbara Riley, senior security analyst. It is about evenly divided among bonds rated BAA, BB and B. Maturities now range from seven to 15 years, slightly shorter than in the first quarter of 1988, because the fund has assumed a defensive posture against a possible interest rate increase, Ms. Riley said.

Fixed-income funds
(periods ended June 30, 1988)

	1st qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.6	12.7	15.6	15.7	13.6
First quartile	1.4	8.4	11	12.2	11.1
Median	1.2	7.7	10.2	11.5	10.4
Third quartile	1	6.9	9.3	10.7	9.7
Lowest return	−1.7	−0.5	1.9	7.9	6.4
Shearson Lehman	1	7.5	10.7	12.2	10.8

It made particularly good returns recently with securities of **Borg-Warner, Addington Resources Inc.** and **Chevy Chase Savings and Loan Association,** Ms. Riley said.

Beverly Trust Co., Chicago, which concentrates on investment-grade, high-coupon corporate bonds, was third for the year with 11.4%. It was in the top 10% for the quarter with 1.8%, the three-year period with 13.8% and the five-year period with 14.6%. It was second among all funds for the 10-year period, with 13.2%.

Beverly Trust looks for long bonds with short call provisions, said Ron Stajkowski, president. While many of the bonds in the $9 million fund might mature past 2000, most of them have calls in five or six years, he said. Call provisions keep the bonds' value from being affected by swings in the long bond market, he said.

The fund's average quality rating is in the BAA to A range, he added.

Sunburst Bank, Jackson, Miss., was second in the quarter with 3.7%. Heavy investments in convertible bonds, which suffered during the October stock market crash, hurt its performance for the year, when it was in the bottom 10% with 3.4%.

In the three- and five-year periods, its performance was excellent, placing it fourth among all funds with returns of 14.2% and 15% respectively. In the 10-year period, it was in the bottom 20% with 9.6%; this reflects the time before the fund's management team changed in 1984, said Ashby Foote, trust investment officer.

The $1.5 million fund takes a top-down approach to the market, evaluating the interest rate environment, inflation outlook and risk-reward spectrum of fixed-income securities, then assembling the portfolio, Mr. Foote said. It seeks both coupon income and capital appreciation over the long term, he said.

The fund still has a high allocation to convertibles, 57%. "We feel they offer some very good values right now," Mr. Foote said. It is about 25% in long Treasuries and zero-coupon bonds, 7.5% in straight corporates, 4% in mortgage-backed securities and the remainder in cash, he said. Average quality rating is AAA for straight bonds and B+ for convertibles; average maturity is 20 years.

United Bank of Denver, a perennial PIPER leader, topped the rankings for longer periods, with 15.6% for three years, 15.7% for five years and 13.6% for 10 years. It fell in the rankings but stayed above the median for the year, with 8%, and quarter, with 1.3%.

Delaware Trust Co., Wilmington, another frequent leader, was second for the three-year period, with 15.4%, and five-year period, with 15.7%. It was in the top 20% for the year, with 9.2%, and top 30% for the quarter, with 1.4%. It is too new for the 10-year period.

Third-place finishers were Equitable Capital Management Corp., New York, in the three-year period with 14.9%; Transamerica Life Insurance Co., Los Angeles, in the five-year period with 15.1%; and Sovran Bank, Richmond, Va., in the 10-year period with 13.1%. ■

Returns stack up

Quants, contrarians take equity lead

By Carol Wiley

Quantitative and contrarian investment philosophies were the successful management styles for pooled equity funds in Pensions & Investments' Performance Evaluation Report for the quarter and year ended June 30.

The top pooled equity fund for the quarter was managed by Centerre Trust Co., St. Louis. Its $67 million fund posted a return of 14.5% for the quarter, compared with 6.7% for the Standard & Poor's 500 stock index and 5.5% for the PIPER median fund.

The top fund for the year, reporting a 17.2% return vs. the S&P's −6.9% and the median's −5.2%, was First Chicago Investment Advisors' $480 million Institutional Equity Fund.

The median return of the 318 bank and insurance company pooled equity funds in the PIPER universe trailed the index in the longer performance periods, with compound annualized returns of 14.9%, 12.4% and 15.6%, for three, five and 10 years, respectively, against the index's 16.6%, 14.6% and 16.4%.

All PIPER returns for periods of more than one year are annualized.

The Centerre fund is "basically a long-term, quantitative, valuation, akin to a dividend discount model," said James McGuire, senior vice president and chief investment officer.

Although the fund benefited from "a couple of undervalued stocks and an LBO situation, mostly the market was paying more attention to long-term values, and it was a year of surprisingly few mistakes," Mr. McGuire said.

The fund sold holdings in **Chemical New York Corp.** and **First Interstate Bancorp.** when the stocks became fairly valued during the quarter and is now buying technology stocks, such as **Digital Equipment Corp.** and **Avnet Inc.**

First Chicago's fund contains large- and small-capitalization stocks that might be out of favor, and benefits from risk hedging, according to Gary Brinson, president.

"Our stock performance has been helped by individual issues, rather than industry strategies," he said.

Those issues include **MCI Communications Corp.** and **Intel Corp.**, as well as **The Chase Manhattan Corp., Citicorp** and **Security Pacific Corp.**

Two bank funds ranking in the top five for the quarter and top 10 for the year are managed by quantitative contrarian James Investment Research Inc., Alpha, Ohio — the $5. 5 million Equity Fund C of Bank One, Richmond, Ind., and the $13.5 million Cliran Equity Fund of Citizens Heritage Bank, Piqua, Ohio.

Bank One's fund was second in the quarter with 14.4% and fourth for the 12 months with 12%; the Cliran fund ranked fifth for the quarter with 11.3% and ninth for the year with 6.1%.

A third fund managed by James, the $7 million Retirement Fund C at State Bank & Trust Co., Defiance, Ohio, was sixth for the year with a return of 9.7%; first for the three years with 27.4%, and second for the five years with 19.6%.

"Since the crash, our indicators say there won't be a recession, so we're buying stock in those companies that benefit from a strong economy, such as chemicals, manufacturing, building, high-tech and computer stocks," said Frank James III, vice president.

The firm has been buying stock in **Dow Chemical Co., Ford Motor Co.** and **Businessland Inc.**, Mr. James said.

There has been an overall trimming of some stocks, but "no grand theme" among sales, he said.

Perennial PIPER equity leader Sun Banks, Orlando, Fla., reported returns for its $380 million Corporate Equity Fund that placed it in the top three for the three-year period, and first in the five- and 10-year periods. For the shorter periods, however, it dropped, placing in the eighth decile for the quarter and the fourth decile for the year, "even though we have continued to have above average holdings," according to Anthony Gray, president and chief investment officer, Sun Bank Investment Management Group.

The Sun Bank fund is actively managed, has high turnover and concentrates on large growth stocks.

Pooled equity funds
(periods ended June 30, 1988)

	1st qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.5	17.2	30.2	24.5	23
First quartile	6.6	−2.2	16.9	14.7	16.8
Median	5.5	−5.2	14.9	12.4	15.6
Third quartile	4.4	−8.1	12.9	10.7	14.1
Lowest return	−2	−32	4.6	3.3	8.7
S&P 500	6.7	−6.9	16.6	14.6	16.4

"Two torpedoes hit us: **Tandem (Computers)** and **Liz Claiborne (Inc.)** had bad earnings reports, and technology stocks killed us," Mr. Gray said. "The problem really is a large number of stocks have done poorly for us this year; the smaller companies are doing great, but their stocks aren't doing well."

Food and large growth stocks continue to do well, he said, and the fund is holding positions in **Alberto-Culver Co., Ralston Purina Co.** and **Quaker Oats Co.**

First Fidelity Bank of Newark, N.J., had two funds that ranked highly in the short-term periods. Its $46 million employee benefits common stock fund reported 12.8% for the quarter, ranking third, and the $16 million discretionary common stock fund returned 13.3% for the year, also ranking third.

The employee benefits fund tends to emphasize large-cap, high-quality companies, such as **IBM Corp.** and **General Electric Co.**, said Richard Nicholson, senior vice president, and regional banks, such as **Shawmut Corp.** and **PNC Financial Corp.**

The fund picks stocks that are driven by earnings, projected over three years, and strives for long-term continuity, Mr. Nicholson said.

The discretionary fund is value-oriented, combined with quantitative screening for small companies with very low beta (a measure of the stock's volatility relative to the S&P 500).

For the quarter, the fund held stock in consumer discretionary companies, such as **Bassett Furniture Industries, Hartmarx Corp.** and **Russ Togs Inc.**, and in producer durables, such as **General Signal Corp. The Timken Co.** and **West Point-Pepperell Inc.**

United Bank of Denver's $26 million equity fund returned 12.6% for the quarter, 15.6% for the year and 22% for the three years.

W. Lon Schreur, president of United Capital Management, the bank's investment management arm, said the fund's "hard-core contrarian" philosophy focused on the metals industries, such as **Bethlehem Steel Corp., Inland Steel Industries Inc.** and **KaiserTech Ltd.**; capital goods, such as **Clark Equipment Co., GATX Corp.** and **Caterpillar Inc.**; and special equities, such as **Long Island Lighting Co.**

The fund is now fully invested, and no stocks are being sold, Mr. Schreur said. ■

PIPER

Top fixed funds by size

1-year returns

Over $100 million

	%
Trust Co./West (High yield)	9.9
Principal Mutual Life, Iowa	9.9
Equitable Capital (5), N.Y.	9.6
Trustmark Nat'l, Miss.	9.5
First Union Bank (1), N.C.	9.4
First Kentucky Trust	9.2
Mercantile Bank, Mo.	9.1
First Chicago	9.1
American Security, D.C.	9.1
Hawaiian Trust (Defensive)	8.8

$50 million to $100 million

	%
Transamerica Life (SA T-2)	10.1
Northern Trust, Ill.	9.7
Citicorp (Bondshift), N.Y.	9.5
Travelers (D), Conn.	9.1
First of Minneapolis	9.0
Midlantic Nat'l, N.J.	8.8
Mercantile Safe (Inter.)	8.7
Texas Commerce (Low vol.)	8.3
First Interstate of Wis. (Inc.)	8.2
Chase Manhattan (Sec. mtg.)	8.2

$10 million to $50 million

	%
Union Labor Life (SA B), D.C.	12.7
Norstar Trust, N.Y.	11.3
IAA Trust (B), Ill.	10.4
Capital Trust, Ore.	10.3
Wilmington Trust, Del.	9.8
First Interstate of California	9.3
HT Investors (A), R.I.	9.3
Delaware Trust	9.2
First Trust, Minn.	9.1
First of Maryland	9.0

Under $10 million

	%
First Variable Life, Ark.	11.5
Beverly Bank, Ill.	11.4
General American (SA 9), Mo.	11.1
Exchange Nat'l Bank, Ill.	9.4
Second Nat'l Bank, Ohio	9.4
Colonial American Nat'l, Va.	9.3
Sovran Bank/Central South	9.0
Frost Nat'l, Texas	8.6
Valley Nat'l (II), Ariz.	8.3
EF Hutton (2), Del.	8.2

10-year returns

Over $100 million

	%
Centerre Trust, Mo.	12.5
Pacific Mutual, Calif.	12.5
American Security, D.C.	12.4
Texas Commerce (Active)	12.4
First Kentucky Trust (Ret.)	12.1
Hibernia Nat'l, La.	11.8
Northern Trust (Inter.), Ill.	11.4
Boatmen's Nat'l, Mo.	11.4
Mercantile Bank, Mo.	11.3
John Hancock, Mass.	11.3

$50 million to $100 million

	%
Life of Virginia	12.1
First Jersey Nat'l, N.J.	11.7
Manufacturers Detroit	11.5
Bankers Trust (B), N.Y.	11.4
Bankers Trust (A), N.Y.	11.3
Ameritrust (Reserve), Ohio	11.2
Trust Services of America	11.0
Massachusetts Mutual	10.8
Northern Trust, Ill.	10.8
First Fidelity (Inter.), N.J.	10.6

$10 million to $50 million

	%
United of Denver	13.6
Fidelity Bank, Pa.	12.3
Sanwa Bank (C), Calif.	12.0
First Interstate of California	11.9
First Interstate of Arizona	11.8
First Wisconsin Asset Mgmt.	11.7
Cullen Bank, Texas	11.5
Boatmen's FNB Kansas City	11.5
IAA Trust (B), Ill.	11.4
American Nat'l Bank, Tenn.	11.3

Under $10 million

	%
Beverly Bank, Ill.	13.2
Central Fidelity, Va.	11.7
Connecticut Nat'l Bank	11.7
Sovran Bank/Central South	11.6
Second Nat'l Bank, Ohio	11.1
Colonial American Nat'l, Va.	11.1
Oregon Bank	10.9
Exchange Nat'l Bank, Ill.	10.7
Firstier Bank Lincoln, Neb.	10.6
Assoc. Manitowoc (High), Wis.	10.3

Top quartile commingled fixed-income funds

3-month returns

	%
First Variable Life, Ark.	5.6
Sunburst Bank, Miss.	3.7
Wellington Trust (High yield)	3.6
Sanwa Bank (C), Calif.	3.4
Trust Co. of the West(High yield)	3.3
Union Labor Life (SA B), D.C.	3.0
State Street Bank, Mass.	2.9
Bank of Delaware	2.6
Colonial American Nat'l, Va.	2.5
California First	2.4
First Interstate of California	2.2
HT Investors (A), R.I.	2.2
Hawaiian Trust (Defensive)	2.1
Signet Trust (Stable), Va.	2.1
Equitable Capital (5), N.Y.	2.0
Nevada Nat'l Bank	1.9
Sovran Bank (Inst.), Va.	1.9
Jefferson Trust, Ill.	1.9
Union Labor Life (SA G), D.C.	1.9
Banc One Asset, Ohio	1.8
First American of Georgia	1.8
First Interstate of Wisconsin	1.8
Beverly Bank, Ill.	1.8
Northern Trust, Ill.	1.8
First Chicago (Dollar)	1.8
Norwest Bank, Minneapolis	1.8
Mercantile Bank, Mo.	1.8
Trust Services of America, Calif.	1.8
First Interstate of Oregon	1.7
American Security, D.C.	1.7
Bank of Tokyo (Inter.), N.Y.	1.7
Exchange Nat'l Bank, Ill.	1.7
IAA Trust (B), Ill.	1.7
Travelers (SA D), Conn.	1.7
Trustcorp Bank, Ohio	1.6
Valley Fidelity, Tenn.	1.6
General American (SA 9), Mo.	1.6
Boatmen's FNB Kansas City, Mo.	1.6
Bank of the West, Calif.	1.6
First of Toledo, Ohio	1.6
The New England, Mass.	1.6
Wheeling Dollar Bank, W.Va.	1.6
Key Trust, N.Y.	1.5
Dauphin Deposit (Short), Pa.	1.5
Cullen Bank, Texas	1.5
Harris Trust, Ill.	1.5
CIGNA Corp. (Inter.), Conn.	1.5
Mutual of New York (Private)	1.5
Pacific Financial (Hyr.), Calif.	1.5
First Union Bank, N.C.	1.5
Morgan Guaranty, N.Y.	1.5
Capital Trust, Ore.	1.5
Chicago Title & Trust	1.5
Wachovia Bank, N.C.	1.5
American Nat'l Bank, Ind.	1.5
Security Nat'l Bank (II), W.Va.	1.5
First of Maryland	1.4
Delaware Trust	1.4
Mid-State Bancorp, Pa.	1.4
Wilmington Trust, Del.	1.4
Central Fidelity (Short), Va.	1.4
Bank of New England, Mass.	1.4
First Interstate of Arizona	1.4
Home Life, N.Y.	1.4
First Wisconsin Asset	1.4
Bank of America, Calif.	1.4
Principal Mutual Life, Iowa	1.4
First Interstate of Washington	1.4
Mercantile Safe, Md.	1.4
American Nat'l Bank, Ind.	1.4
Sun Bank, Fla.	1.4
First Interstate of Oklahoma	1.4
First Chicago	1.4
First Alabama Bank	1.4
Nat'l Bank of Detroit	1.4
Shearson Lehman G/C Index	**1.0**

1-year returns

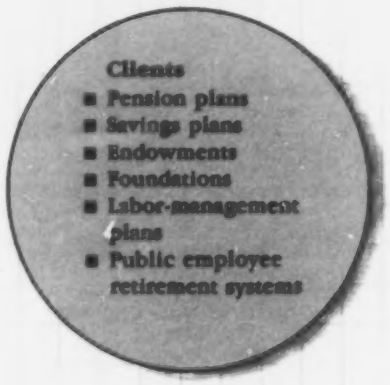
	%
Union Labor Life (SA B), D.C.	12.7
First Variable Life, Ark.	11.5
Beverly Bank, Ill.	11.4
Norstar Trust, N.Y.	11.3
General American (SA 9), Mo.	11.1
IAA Trust (B), Ill.	10.4
Capital Trust, Ore.	10.3
Transamerica (SA T-2), Calif.	10.1
Harris Trust, Ill.	10.1
Trust Co. of the West (High yield)	9.9
Principal Mutual Life, Iowa	9.9
Wilmington Trust, Del.	9.8
Sovran Bank (Inst.), Va.	9.7
Northern Trust, Ill.	9.7
Harris Trust (Gain), Ill.	9.6
State Street Bank, Mass.	9.6
Equitable Capital (5), N.Y.	9.6
Trustmark Nat'l, Miss.	9.5
Citicorp (Bondshift), N.Y.	9.5
Morgan Guaranty, N.Y.	9.4
First Union Bank (1), N.C.	9.4
Exchange Nat'l Bank, Ill.	9.4

The Prudential Asset Management Group

The Prudential Asset Management Group is a uniquely structured organization providing investment management services to employee benefit plans, endowments, foundations and other institutional clients. The Group consists of separately managed investment firms, which are either components or affiliates of The Prudential Investment Corporation, Prudential's principal investment management subsidiary.

Each investment firm is run independently but has the financial backing of The Prudential. All share a singular commitment to provide superior investment performance to institutional clients.

To find out more about The Prudential Asset Management Group, call Jim Blanchard at (201) 877-7041.



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PIPER

Second Nat'l Bank (Emp.), Ohio	9.4
First Interstate of California	9.3
HT Investors (A), R.I.	9.3
Colonial American Nat'l, Va.	9.3
First Kentucky Trust	9.2
Delaware Trust	9.2
Mercantile Bank, Mo.	9.1
Travelers (SA D), Conn.	9.1
First Chicago	9.1
First Trust Co., Minn.	9.1
Banc One Asset (Invt.), Ohio	9.1
American Security, D.C.	9.1
First of Minneapolis	9.0
Wheeling Dollar Bank, W.Va.	9.0
First of Maryland	9.0
Phoenix Mutual, Conn.	9.0
Sovran Bank/Central South	9.0
Bank of Tokyo (Inter.), N.Y.	9.0
Bank of Delaware	8.9
First Interstate of Oregon	8.9
Sanwa Bank (C), Calif.	8.9
Midlantic Nat'l, N.J.	8.8
Mid-State Bankcorp, Pa.	8.8
Norwest Bank, Minneapolis	8.8
Hawaiian Trust (Defensive)	8.8
Summit Trust, N.J.	8.7
Mercantile Safe (Inter.), Md.	8.7
Frost Nat'l, Texas	8.6
Boatmen's FNB Kansas City, Mo.	8.6
Pacific Mutual, Calif.	8.6
First Nat'l Mercantile (B), Mo.	8.6
Valley Fidelity, Tenn.	8.6
John Hancock, Mass.	8.6
CIGNA Corp. (Inter.), Conn.	8.6
Signet Trust (Stable), Va.	8.5
Fidelity Bank, Pa.	8.5
Wellington Trust (G/C), Mass.	8.5
Nat'l Bank of Detroit	8.5
California First Bank	8.4
Society Nat'l, Ohio	8.4
Cullen Bank, Texas	8.4
Chase Manhattan (Short-inter.)	8.4
Wachovia Bank, N.C.	8.4
First Bank Milwaukee	8.4
Shearson Lehman G/C Index	**7.5**

3-year returns

	%
United of Denver	15.6
Delaware Trust	15.4
Equitable Capital (5), N.Y.	14.9
Sunburst Bank, Miss.	14.2
Transamerica Life (SA T-2)	14.2
Beverly Bank, Ill.	13.8
First Variable Life, Ark.	13.6
Principal Mutual Life, Iowa	13.3
Chase Manhattan (Long), N.Y.	13.2
Centerre Trust, Mo.	13.2
IAA Trust (B), Ill.	13.0
Connecticut Nat'l Bank	12.7
Colonial American Nat'l, Va.	12.6
Metropolitan Life (SA 41)	12.5
General American (SA 9), Mo.	12.4
First Interstate of Arizona	12.3
Morgan Guaranty, N.Y.	12.3
Chase Manhattan (A), N.Y.	12.2
First Kentucky Trust	12.2
Sanwa Bank (C), Calif.	12.2
Travelers (SA P), Conn.	12.2
Sovran Bank (Inst.), V.A.	12.1
Mutual of New York (Private)	12.0
Pacific Mutual, Calif.	12.0
American Security, D.C.	12.0
Harris Trust, Ill.	11.9
Norstar Trust, N.Y.	11.9
CoreStates,Pa.	11.9
First Chicago	11.9
Nat'l Bank of Commerce, Neb.	11.9
Fidelity Bank, Pa.	11.9
Northern Trust, Ill.	11.9
Exchange Nat'l Bank, Ill.	11.8
Union Labor Life (SA B), D.C.	11.8
Trust Services of America, Calif.	11.8
Citicorp, N.Y.	11.7
Society Nat'l, Ohio	11.7
John Hancock, Mass.	11.7
Connecticut Nat'l (Inter.)	11.7
CIGNA Corp. (Active), Conn.	11.6
Comerica Bank, Mich.	11.5
First Nat'l Mercantile (B), Mo.	11.5
Colorado Nat'l Bank	11.5
Manufacturers Life (B), Ontario	11.5
Bankers Trust (A), N.Y.	11.4
Phoenix Mutual, Conn.	11.4
Wachovia Bank, N.C.	11.4
Continental Illinois	11.4
Bank of America, Calif.	11.4
Chicago Title & Trust	11.3
Wellington Trust (G/C), Mass.	11.3
First Interstate of California	11.2
First City Nat'l Houston	11.2
Bessemer Trust, N.Y.	11.2
First of Omaha (C), Neb.	11.1
Mercantile Safe, Md.	11.1
MTrust, Texas	11.1
First RepublicBank (Long), Texas	11.1
Liberty Nat'l, Ky.	11.1
Massachusetts Mutual	11.1

Top equity funds by size

1-year returns

Over $100 million

	%
First Chicago	17.2
U.S. Nat'l of Oregon (Qualivest)	1.8
First Jersey Nat'l, N.J.	1.5
Fidelity Mgmt. (Inc.), Mass.	1.3
Bessemer Trust, N.Y.	−0.3
Markston Invest. Mgmt.	−0.6
Meridian Trust, Pa.	−1.3
Massachusetts Mutual	−1.7
Principal Mutual, Iowa	−2.0
AmeriTrust (Divers.), Ohio	−3.0

$50 million to $100 million

	%
Sovran Bank (Inst.), Va.	3.0
Centerre Trust, Mo.	2.5
Phoenix Mutual, Conn.	−0.7
Citicorp (Stockshift 100), N.Y.	−1.7
Norstar Trust, N.Y.	−2.1
Sentry Life (SA B), Wis.	−2.7
American Security, D.C.	−3.3
First Trust, Minn.	−3.4
Citicorp (Multifact), N.Y.	−3.6
AmSouth, Ala.	−3.7
Chase Manhattan (B), N.Y.	−3.7

$10 million to $50 million

	%
United of Denver	15.6
First Fidelity (Disc.), N.J.	13.3
Massachusetts Mutual (SIA S)	10.4
First Fidelity, N.J.	7.2
First of Maryland	6.6
Citizens Heritage (CLIRAN)	6.1
Crown Life (U.S. grp.), Ontario	4.2
Jefferson Trust (Growth), Ill.	3.9
EF Hutton (2), Del.	3.8
American Nat'l, Minn.	3.2

Under $10 million

	%
Bank One, Richmond (C), Ind.	12.0
State Bank (Retire. C), Ohio	9.7
Security Nat'l, W. Va.	5.1
Security Nat'l (II), W. Va.	2.5
Gary Wheaton (Hedged), Ill.	2.0
Pioneer Bank, Ill.	1.8
American Security (High yield)	0.4
First N.H. Invest. (Emp. A)	−0.5
First Illinois (Corp.)	−1.0
First Interstate Billings, Mont.	−2.1

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.0
First Union Bank, N.C.	20.2
U.S. Nat'l/Oregon (Qualivest)	19.8
Bessemer Trust, N.Y.	19.2
Provident Nat'l, Pa.	18.7
Equitable Capital (4), N.Y.	18.6
MTrust (Growth), Texas	18.6
Principal Mutual Life, Iowa	18.2
Manufacturers Detroit	17.9
Massachusetts Mutual	17.7

$50 million to $100 million

	%
The New England (Sep.cap.)	19.7
Texas Commerce (Divers.)	17.2
Sentry Life (SA B), Wis.	17.1
Norstar Trust, N.Y.	17.0
Sovran Bank (Inst.), Va.	16.9
Phoenix Mutual, Conn.	16.7
Mercantile Safe, Md.	16.6
AmSouth, Ala.	16.6
Chase Manhattan (B), N.Y.	16.4
Centerre Trust, Mo.	16.3

$10 million to $50 million

	%
First Fidelity (Disc.), N.J.	20.5
Guardian Ins. (VA 1), N.Y.	20.2
United of Denver	19.7
First Interstate of Oklahoma	19.4
Confederation Life, Ontario	18.8
First Trust Corp., Colo.	18.6
U.S. Nat'l of Galveston, Texas	18.5
First Fidelity Bank, N.J.	18.4
MTrust (Value), Texas	18.4
Lake Shore Nat'l, Ill.	18.1

Under $10 million

	%
First N.H. Investment (Emp. A)	18.8
Unibanctrust, Ill.	16.1
Puget Sound Nat'l, Wash.	15.1
Merchants Nat'l (2), Ind.	14.9
First Interstate of Texas	14.9
Second Nat'l (Emp.), Ohio	14.2
Great West Life (V.A.A.A.)	14.4
First in Bartlesville, Okla.	14.4
Associated Manitowoc, Wis.	14.3
American Nat'l (Growth), Ind.	14.1

Equity Managers	**PRIFORM Investment Management** Value-oriented strategy
	MIDCO Investors Small capitalization strategy
Equity-Oriented Balanced Managers	**Matrix Capital Management** Econometrically driven financial factors strategy
	Hallmark Capital Management Value-oriented equity and balanced management
Balanced Managers	**Prudential Diversified Investment Strategies** Asset allocation-discretionary portfolio management
	Capital Supervisors, Inc. Discretionary balanced management
	Prudential Fixed Income Advisors (PFIA) Disciplined approaches to fixed income investments
	Gifford Fong Associates Quantitative fixed income research
	Prudential Realty Group Portfolio management of real estate income and development properties and mortgage investments
International Managers	**PCM International** International stock and bond investments
	Mercator Asset Management Global and international stock strategies
	GIM Global Advisors Global equity, fixed income, and real estate management
	Investment Index Technologies (INTECH) Domestic and foreign stock indexing and active core management
Guaranteed Products Manager	**Prudential Insurance Company of America** Guaranteed investments for pension and savings plans and other institutional accounts
Venture Capital Manager	**Prudential Venture Capital Management Company** Direct and partnership venture funding

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PIPER

General American (SA 8), Mo.	11.0
Aetna Life (SA 76), Conn.	11.0
Nat'l Bank of Detroit	11.0
First Chicago (Dollar)	11.0
Citizens & Southern, Ga.	11.0
Columbus Bank, Ga.	11.0
EF Hutton (2), Del.	11.0
Shearson Lehman G/C Index	**10.7**

5-year returns

	%
United of Denver	15.7
Delaware Trust	15.7
Transamerica Life (SA T-2), Calif.	15.1
Sunburst Bank, Miss.	15.0
Equitable Capital (5), N.Y.	14.8
IAA Trust (B), Ill.	14.7
Beverly Bank, Ill.	14.6
First Variable Life, Ark.	14.1
Trust Services of America, Calif.	14.0
Principal Mutual Life, Iowa	14.0
Centerre Trust, Mo.	13.9
Connecticut Nat'l	13.8
Mutual of New York (Private)	13.6
First Interstate of Arizona	13.6
Sanwa Bank (C), Calif.	13.5
Travelers (SA P), Conn.	13.5
Colonial American Nat'l, Va.	13.5
Pacific Mutual, Calif.	13.3
First Kentucky Trust	13.3
Central Fidelity, Va.	13.3
Morgan Guaranty, N.Y.	13.2
First Chicago	13.1
American Security, D.C.	13.1
General American (SA 9), Mo.	13.1
Colorado Nat'l Bank	13.1
Sovran Bank (Inst.), Va.	13.1
John Hancock, Mass.	13.0
First Chicago (Dollar)	13.0
First Interstate of California	12.9
CoreStates, Pa.	12.9
Harris Trust, Ill.	12.9
Life of Virginia	12.9
Northern Trust, Ill.	12.8
First Alabama Bank	12.8
First Variable life (H. Q.), Ark.	12.6
Exchange Nat'l Bank, Ill.	12.6
Society Nat'l, Ohio	12.6
Union Labor Life (SA B), D.C.	12.6
Citicorp, N.Y.	12.6
Norstar Trust, N.Y.	12.5
State Street Bank, Mass.	12.5
Nat'l Bank of Commerce, Neb.	12.5
First of Omaha (C), Neb.	12.5
Connecticut Nat'l (Inter.)	12.4
Liberty Nat'l, Ky.	12.4
California First Bank	12.4
Fidelity Bank, Pa.	12.3
First Union Bank (1), N.C.	12.3
Wellington Trust (G/C), Mass.	12.3
Manufacturers Detroit	12.3
General American (SA 8), Mo.	12.3
CIGNA Corp. (Inter.), Conn.	12.3
Bankers Trust (A), N.Y.	12.2
Wachovia Bank, N.C.	12.2
Second Nat'l Bank, Ohio	12.2
First Wisconsin Asset	12.2
First City Nat'l Houston	12.2
Shearson Lehman G/C Index	**12.2**
Lincoln Nat'l (Corp.), Ind.	12.2
CIGNA Corp. (Active), Conn.	12.2
Nat'l Bank of Detroit	12.2
Hamilton Bank, Pa.	12.2

10-year returns

	%
United of Denver	13.6
Beverly Bank, Ill.	13.2
Sovran Bank (Inst.), Va.	13.1
Centerre Trust, Mo.	12.5
Pacific Mutual, Calif.	12.5
American Security, D.C.	12.4
Texas Commerce (Active)	12.4
Fidelity Bank, Pa.	12.3
First Kentucky Trust	12.1
Life of Virginia	12.1
Sanwa Bank (C), Calif.	12.0
First Interstate of California	11.9
First Interstate of Arizona	11.8
Hibernia Nat'l, La.	11.8
Morgan Guaranty, N.Y.	11.8
First Wisconsin Asset Mgmt.	11.7
Central Fidelity, Va.	11.7
Connecticut Nat'l Bank	11.7
First Jersey Nat'l, N.J.	11.7
Sovran Bank/Central South	11.6
Bank of New England, Mass.	11.5
Manufacturers Detroit	11.5
Cullen Bank, Texas	11.5
Boatmen's FNB Kansas City, Mo.	11.5
Northern Trust (Inter.), Ill.	11.4
IAA Trust (B), Ill.	11.4
Boatmen's Nat'l, Mo.	11.4
Bankers Trust (B), N.Y.	11.4
Mercantile Bank, Mo.	11.4
Bankers Trust (A), N.Y.	11.3
John Hancock, Mass.	11.3
American Nat'l Bank, Tenn.	11.3
AmeriTrust (Reserve), Ohio	11.2
Merchants Nat'l, Pa.	11.2
Trustcorp Bank, Ohio	11.2
Mid-State Bancorp, Pa.	11.2
Society Nat'l, Ohio	11.2
First of Maryland	11.1
Wachovia Bank, N.C.	11.1
Second Nat'l Bank, Ohio	11.1
First Chicago Invest. Adv.	11.1
First Bank Milwaukee	11.1
Colonial American Nat'l, Va.	11.1
Key Trust, N.Y.	11.1
Jefferson Trust, Ill.	11.1
Shearson Lehman G/C Index	**10.8**

A special section on leasing will be published in the Oct. 3 issue of *Pensions & Investment Age*.

Top quartile commingled equity funds

3-month returns

	%
Centerre Trust, Mo.	14.5
Bank One, Richmond (C), Ind.	14.4
First Fidelity Bank, N.J.	12.8
United of Denver	12.6
Citizens Heritage (CLIRAN), Ohio	11.3
Citicorp (Multifact), N.Y.	11.2
Citicorp (Styleshift), N.Y.	10.9
Citicorp (Stockshift 200), N.Y.	10.2
State Street Bank (Matrix syn.)	9.9
First Interstate Billings, Mont.	9.8
Connecticut Mutual Life	9.5
Harris Trust (Low p/e), Ill.	9.5
LaSalle Nat'l (Core), Ill.	9.2
Commerce Bank-K.C., Mo.	9.0
Fidelity Mgmt. (Inc.), Mass.	8.8
Stock Yards Bank (Trust), Ky.	8.8
California First Bank	8.7
Harris Trust, Ill.	8.3
First Tennessee Memphis	8.3
First Variable Life, Ark.	8.3
Home Life, N.Y.	8.2
American Nat'l, Minn.	8.2
CNA Insurance (SA A), Ill.	8.0
Security Pacific (E), Calif.	7.9
State Bank (Retire. C), Ohio	7.9
Massachusetts Mutual (SIA S)	7.8
Wellington Trust (Inc.), Mass.	7.8
Bank of New England (Valuepath)	7.7
U.S. Nat'l of Galveston, Texas	7.7
Nat'l City Cleveland, Ohio	7.7
Chase Manhattan (B), N.Y.	7.7
Principal Mutual Life, Iowa	7.6
First Chicago	7.6
American Security (High yield/gro.)	7.5
Manufacturers Life, Ontario	7.4
Northern Trust (Divers.), Ill.	7.4
First Bank Milwaukee	7.4
Prudential (VCA-9), N.J.	7.3
Bankers Trust, N.Y.	7.3
Wilmington Trust (Growth), Del.	7.3
Maryland Nat'l	7.3
Citicorp, N.Y.	7.2
Minnesota Mutual (SA C)	7.2
State Street Bank, Mass.	7.1
Meridian Trust, Pa.	7.1
Mid-State Bancorp, Pa.	7.1
Mutual of New York	7.1
Signet Trust, Va.	7.1
Manufacturers Life (C), Ontario	7.1
Guardian Insurance (VA 1), N.Y.	7.1
Chase Investors (Index), N.Y.	7.1
Capital Trust (II), Ore.	7.0
Wellington Trust (Divers.), Mass.	7.0
First N.H. Investment (Emp. A)	7.0
PW Trust Co. (Conserv.), N.J.	6.9
Nat'l Bank of Detroit	6.9
Travelers (SA), Conn.	6.9
American Security, D.C.	6.8
State Street Bank (Value I), Mass.	6.8
Old Second Nat'l, Ill.	6.7
EF Hutton (6), Del.	6.7
Midlantic Nat'l, N.J.	6.7
General American (Index), Mo.	6.7
Standard & Poor's	**6.7**
Security Pacific, Calif.	6.7
State Street Bank (S&P index)	6.7
Sovran Bank (Inst.), Va.	6.6
Citicorp (Stockshift 100), N.Y.	6.6
Chase Investors (CMB index), N.Y.	6.6
Bank of America (Index), Calif.	6.6
Connecticut Nat'l Bank	6.6
Merchants Nat'l, Pa.	6.6
Travelers (SA C), Conn.	6.6

1-year returns

	%
First Chicago	17.2
United of Denver	15.6
First Fidelity Bank (Disc.), N.J.	13.3
Bank One, Richmond (C), Ind.	12.0
Massachusetts Mutual (SIA S)	10.4
State Bank (Retire. C), Ohio	9.7
First Fidelity Bank, N.J.	7.2
First of Maryland	6.6
Citizens Heritage (CLIRAN), Ohio	6.1
Security Nat'l Bank, W. Va.	5.1
First RepublicBank, Texas	4.7
Union Central, Ohio	4.5
Crown Life (U.S. grp.), Ontario	4.2
State Street (Matrix syn.), Mass.	4.1
Jefferson Trust (CT growth), Ill.	3.9
EF Hutton (2), Del.	3.8
American Nat'l, Minn.	3.2
Sovran Bank (Inst.), Va.	3.0
Guardian Insurance (VA 1), N.Y.	3.0
U.S. Nat'l of Galveston, Texas	2.6
Centerre Trust, Mo.	2.5
Security Nat'l Bank (II), W. Va.	2.5
Citicorp (Stockshift 200), N.Y.	2.3
Beverly Bank, Ill.	2.1
Gary Wheaton Bank (Hedged), Ill.	2.0
U.S. Nat'l of Oregon (Qualivest)	1.8
Pioneer Bank, Ill.	1.8
First Jersey Nat'l, N.J.	1.5
First Variable Life, Ark.	1.4
Fidelity Mgmt. (Inc.), Mass.	1.3
First American of Georgia	1.1
Confederation Life, Ontario	1.0
Colorado Nat'l Bank	1.0
Nat'l Bank of Commerce, Tenn.	0.9
Central Bank Monroe, La.	0.8
Liberty Nat'l, Ky.	0.8
First Alabama Bank (I)	0.8
American Security (High yield/gro)	0.4
Key Trust, N.Y.	0.0
Bessemer Trust, N.Y.	-0.3
First Interstate of Oregon	-0.4
First N.H. Investment (Emp. A)	-0.5
C&S Trust Florida	-0.5
South Carolina Nat'l	-0.6
Markston Invest. Mgmt., N.Y.	-0.6
Phoenix Mutual, Conn.	-0.7
Dominion Trust (Corp.), Va.	-0.8
First Illinois (Personal)	-0.8
Wilmington Trust (Growth), Del.	-0.8
Capital Trust (II), Ore.	-0.9
Resource Bank, Minn.	-0.9
Harris Trust (Low p/e), Ill.	-0.9
First Illinois (Corp.)	-1.0
State Street Bank, Mass.	-1.1
Meridian Trust, Pa.	-1.3
First of Cincinnati	-1.3
First of Omaha (D), Neb.	-1.5
Connecticut Mutual (CM select)	-1.5
Citizens Fidelity (E), Ky.	-1.6
Citicorp (Stockshift 100), N.Y.	-1.7
Massachusetts Mutual	-1.7
Merchants Nat'l, Pa.	-1.8
Wheeling Dollar Bank, W. Va.	-1.9
Principal Mutual Life, Iowa	-2.0
Norstar Trust, N.Y.	-2.1
Wilmington Trust (Total return)	-2.1
First Interstate Billings, Mont.	-2.1
State Street Bank (Value I)	-2.1
Mid-State Bancorp, Pa.	-2.2
First Interstate of Oklahoma	-2.2
Standard & Poor's	**-6.9**

3-year returns

	%
Bank One, Richmond (C), Ind.	30.2
State Bank (Retire. C), Ohio	27.4
Sun Bank, Fla.	26.2
First Fidelity (Disc.), N.J.	22.0
United of Denver	22.0
EF Hutton (2), Del.	22.0
South Carolina Nat'l	22.0
First RepublicBank, Texas	21.8
First Fidelity, N.J.	21.6
State Street (Matrix syn.), Mass.	21.1
First of Maryland	20.5
First Chicago	20.2
First Illinois (Corp.)	19.9
Cullen Bank, Texas	19.7
Principal Mutual, Iowa	19.4
Sovran Bank (Inst.), Va.	19.2
First Illinois (Personal)	19.2
Pioneer Bank, Ill.	19.1
Capital Trust (I), Ore.	19.1
Massachusetts Mutual (SIA S)	19.1
Valley Nat'l (I), Ariz.	18.9
Guardian Ins. (VA 1), N.Y.	18.7
College Ret. Equities Fund	18.5
Southtrust Bank, Ala.	18.5
Mutual of America (SA 2), N.Y.	18.5
Puget Sound Nat'l, Wash.	18.5
First RepublicBank (Inc.), Texas	18.5
State Street Bank, Mass.	18.4
Phoenix Mutual, Conn.	18.4
First Alabama (I)	18.4
California First	18.2
Citicorp (Multifact)	18.1
Norstar Trust, N.Y.	18.1
EF Hutton (1), Del.	17.9
Associated Bank (Neenah), Wis.	17.8
First Interstate of Texas	17.7
State Street Bank (Value I)	17.6
Security Pacific (E), Calif.	17.6
Citizens Fidelity (E), Ky.	17.6
Maryland Nat'l	17.6
U.S. Nat'l of Oregon (Qualivest)	17.5
Colorado Nat'l	17.5
Harris Trust (Low p/e), Ill.	17.5
First American of Georgia	17.5
First Security Nat'l (D), Ky.	17.5
First Interstate of Oklahoma	17.4
Firstier Bank	17.4
First N. H. Investment (Emp. A)	17.3
Mutual of New York (Inc.)	17.3
Dominion Trust (Corp.), Va.	17.2
Chase Investors (Index), N.Y.	17.2
American Nat'l, Minn.	17.2
Crown Life (U.S. grp.), Ontario	17.2
Wellington Trust (Divers.), Mass.	17.2
Morgan Guaranty (Large co.)	17.2
Bessemer Trust, N.Y.	17.2
Confederation Life, Ontario	17.1
Lincoln Nat'l Pens. (Growth), Ind.	17.1
Massachusetts Mutual	17.1
Meridian Trust, Pa.	17.1
Citicorp (Indexplus), N.Y.	17.1

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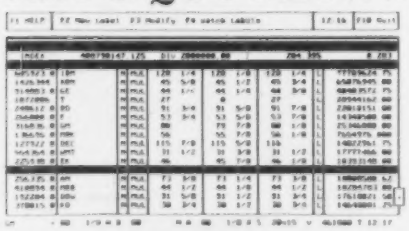

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Casino issue may be gamble

By Brad Rudin

ATLANTIC CITY, N.J. — The planned $675 million first mortgage bond offering that will finance developer Donald Trump's purchase and completion of the Taj Mahal gambling casino and hotel might be considered a gamble by investors.

Investor concerns about the lack of operating history and publicly available financial projections could result in a wide spread on the high-yield issue.

The scale of the project — the Taj Mahal will be twice as big as any other hotel/casino in Atlantic City — injects an added element of risk because management does not have experience in operating a gambling complex of this size, according to the preliminary prospectus.

Intense competition on an already crowded boardwalk is another factor. Indeed, the Taj Mahal will compete with two other Trump casinos in Atlantic City.

"The Taj Mahal formula is a sure thing in Atlantic City. However, the Taj opening, along with several other casino floor space additions, may up the ante in the competitive war for labor and patrons in Atlantic City," said Stephen C. Freidheim, the gaming and lodging analyst in the high-yield research group at Kidder, Peabody & Co., New York.

High-yield investors, whose risk tolerance is lower than that of Atlantic City's high rollers, also might be concerned that the casino and hotel that back the debt are not yet complete. The Taj Mahal is expected to open in December 1989.

Still, Mr. Trump — a hugely successful and highly visible New York real estate developer — has a reputation that probably will generate investor interest in the offering. Mr. Trump has a 100% equity stake in the partnership that owns the Taj Mahal. Bond analysts said it was too early to gauge investor interest in the 15-year issue, which is expected to be priced in September.

Financing

Neither Moody's Investors Service nor Standard & Poor's Corp. has yet assigned a rating to the offering.

Mr. Trump bought the partly finished Taj Mahal from entertainer/businessman Merv Griffin in a $261 million transaction completed in May. Simultaneously, Mr. Griffin bought Resorts International Inc. from Mr. Trump for $302.6 million.

Depending on the amount of available cash flow from operations, Mr. Trump will be able to recover his $75 million investment in the Taj Mahal if it turns out the project was overfunded.

If the Taj Mahal opens when anticipated, bondholders can expect the casino's 3,000 slot machines and 160 gaming tables to start pumping out the cash needed to pay half of the third interest payment due under the indenture. The other half of the third payment — due March 1, 1990 — would come from proceeds from the offering. The first two payments — due March 1, 1989 and Sept. 1, 1989 — also are to be funded with the proceeds.

Funds for interest payments after March 1, 1990, are expected to come from operating revenue, but the partnership could borrow — subject to certain limitations — additional money to finance these payments. Specific plans for this contingency have not been drawn up, said Joseph Silver, assistant general counsel of the Trump Organization in New York.

Failure to substantially complete the project by March 1, 1990, is an event of default unless the delay results from extraordinary events not under the partnership's control. The trustee for the bondholders can then rely on Mr. Trump's guarantee that the Taj Mahal will be substantially complete by March 1, 1991. If the project were not completed by that date — unless extraordinary events caused the delay — the trustee could then take charge of the project and bill Mr. Trump for the cost.

A delayed opening would put investors at risk because foreclosure on the incomplete buildings wouldn't fetch enough to service the debt. And the $460 million in cash held by the company issuing the bonds — Trump Taj Mahal Funding Inc. — would not be available to investors because of a provision in the indenture that excludes cash and other instruments from the collateral.

In the event of default, investors have no recourse against Mr. Trump.

Investors, who start out as secured lenders, would have the status of unsecured lenders when it came time to collect the difference between the value of the collateral and the amount needed to service the debt, according to the registration statement filed by Trump Taj Mahal Funding. Merrill Lynch Capital Markets is the sole manager of the issue, due in 2003.

Net proceeds from the offering, $649 million, will be used to finance the $353.3 million needed to complete the Taj Mahal. The proceeds also will be used to fund $109.7 million in interest payments for a period 15 months from issuance and to repay $186 million used to finance a portion of the acquisition cost.

The bonds can be called any time after Sept. 1, 1991, but redemptions made before Sept. 1, 1993, are barred if the call is financed with borrowings carrying a coupon of less than a certain rate. That rate was not specified in the preliminary prospectus. ■

City ordered to contribute

NEW ORLEANS — A municipal court judge has ordered the city of New Orleans to continue making monthly contributions to one of the two plans administered by the New Orleans Fire Fighters Pension and Relief Fund.

The city had ordered contributions temporarily halted to the pay-as-you-go plan because it had built up assets of about $5.8 million. City officials wanted the fund to use the cushion to make benefit payments and spare the budget-strapped city from making contributions to the plan for the last seven months of 1988.

Plan executives petitioned the civil court claiming the asset cushion was necessary to guarantee future benefit payments and to maintain the system as actuarially sound.

The court ordered the city to continue its $850,000 monthly contributions, but said the contribution may be reduced to prevent the fund from exceeding the $5.8 million ceiling.

A second fund, with assets of $60 million, was not affected by the legal proceedings.

Markston Invest. Mgmt., N.Y.	17.0
Signet Trust, Va.	17.0
Nat'l Bank of Commerce, Tenn.	16.9
Barnett Banks Trust, Fla.	16.9
Trust Services of America, Calif.	16.9
Standard & Poor's	**16.6**

5-year returns

	%
Sun Bank, Fla.	24.5
State Bank (Retire. C), Ohio	19.6
First RepublicBank, Texas	19.0
First Fidelity (Disc.), N.J.	18.9
MTrust (Value), Texas	17.9
First Interstate of Oregon	17.8
Cullen Bank, Texas	17.8
Bank of New England (Valuepath)	17.7
Guardian Ins. (VA 1), N.Y.	17.2
First of America, Mich.	17.1
Northern States Trust, Ill.	16.9
Mellon Equity Associates	16.8
First Fidelity, N.J.	16.7
First N.H. Investment (Emp. A)	16.4
Nat'l Bank of Commerce, Tenn.	16.4
Mutual of New York (Inc.)	16.4
First of Omaha (D), Neb.	16.4
Meridian Trust, Pa.	16.3
Nationwide Life, Ohio	16.2
First Alabama Bank (I)	16.1
Dominion Trust (Corp.), Va.	16.1
U.S. Nat'l of Galveston, Texas	16.1
Colorado Nat'l	16.1
Phoenix Mutual, Conn.	16.0
Sovran Bank (Inst.), Va.	16.0
First Chicago	16.0
Citizens Fidelity (E), Ky.	15.8
Manufacturers Detroit	15.7
Provident Nat'l, Pa.	15.7
First American of Georgia	15.7
Citytrust (E1), Conn.	15.6
Frost Nat'l (A), Texas	15.3
Massachusetts Mutual	15.5
College Ret. Equities Fund	15.5
C&S Trust Florida	15.5
First Union, N.C.	15.4
Valley Nat'l (I), Ariz.	15.4
Principal Mutual, Iowa	15.4
NBD Trust, Ill.	15.3
John Hancock (1K), Mass.	15.3
Barnett Banks Trust, Fla.	15.3
AmeriTrust (Divers.), Ohio	15.2
LaSalle Nat'l (Intrinsic) Ill.	15.2
Fidelity Mgmt. (Inc.), Mass.	15.2
Associated Bank (Neenah), Wis.	15.2
First Security Nat'l (D), N.Y.	15.2
First of Maryland	15.2
Morgan Guaranty (Large co.)	15.1
Wellington Trust (Divers.), Mass.	15.0
Signet Trust, Va.	14.9
Confederation Life, Ontario	14.9
Sentry Life (SA B), Wis.	14.9
Bankers Trust (Index), N.Y.	14.9
Wells Fargo (Index), Calif.	14.7
Lake Shore Nat'l, Ill.	14.7
American Nat'l Chicago (S&P)	14.7
Norstar Trust, N.Y.	14.7
Standard & Poor's	**14.6**

10-year returns

	%
Sun Bank, Fla.	23.0
Manufacturers Life, Ontario	21.3
First Fidelity (Disc.), N.J.	20.5
First Union Bank, N.C.	20.2
Guardian Ins. (VA 1), N.Y.	20.2
U.S. Nat'l of Oregon (Qualivest)	19.8
United of Denver, Colo.	19.7
The New England (Sep. cap.)	19.7
First Interstate of Oklahoma	19.4
Bessemer Trust, N.Y.	19.2
First of N.H. Investment (Emp. A)	18.8
Confederation Life, Ontario	18.8
Provident Nat'l, Pa.	18.7
Equitable Capital (4), N.Y.	18.6
MTrust (Growth), Texas	18.6
First Trust Corp., Colo.	18.6
U.S. Nat'l of Galveston, Texas	18.5
First Fidelity, N.J.	18.4
MTrust (Value), Texas	18.4
First RepublicBank, Texas	18.3
Principal Mutual Life, Iowa	18.2
Lake Shore Nat'l, Ill.	18.1
First Interstate of Oregon	18.0
Wheeling Dollar, W. Va.	18.0
Nat'l Bank of Commerce, Neb.	17.9
Home Life, N.Y.	17.9
Manufacturers Detroit	17.9
First of Omaha (D), Neb.	17.9
Nationwide Life, Ohio	17.7
Massachusetts Mutual	17.7
Mid-State Bancorp, Pa.	17.7
CoreStates, Pa.	17.6
Employers Life of Wausau (SA 1)	17.2
Continental Bancorp, Pa.	17.2
C&S Trust Florida	17.2
State Street Bank, Mass.	17.2
Colorado Nat'l Bank	17.2
Texas Commerce (Divers.)	17.2
American Nat'l Chicago (Active)	17.1
Nat'l City Cleveland	17.1
Sentry Life (SA B), Wis.	17.1
Norstar Trust, N.Y.	17.0
Citizens Chillicothe (Emp. B), Mo.	17.0
Markston Invest. Mgmt.	16.9
Citytrust (E1), Conn.	16.9
Bank of Tokyo, N.Y.	16.9
Aetna Life, Conn.	16.9
Sovran Bank (Inst.), Va.	16.9
Firstier Bank	16.8
Signet Trust, Va.	16.8
Standard & Poor's	**16.4**

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Assets moving

Continued from page 2

a machinery company. Belgian holdings include **CMB**, a transportation and shipping company.

"The (German) market is not very exciting, but the values are excellent and should one day be recognized," said the July International Investment Commentary of Kemper-Murray Johnstone International Inc., Glasgow, Scotland, which is looking at cheap stocks in many Continental European markets.

As of July 15, the firm had 6.2% in Germany vs. the index's 4.3%. Core holdings include **Siemens**, an electronics company, and **Allianz Aktie**, an insurer.

Kemper-Murray Johnstone is emphasizing small Pacific Basin markets. As of July 15, it had 6.6% in Hong Kong, dwarfing the EAFE index's 1.3%. Holdings are mainly hotels, which fill up with Japanese tourists, and trading companies, which benefit from accelerating trade with China, the publication said. A 7.4% weighting in Australia vs. the EAFE's 2.4% is mainly for the metals play.

Alliance prefers Canadian to Australian mining companies. The firm has slashed Australian holdings to 2% from 6% since the beginning of the year, selling such companies as **CRA Ltd.** and **Western Mining Corp. Holdings Ltd.** during the second quarter.

"We found comparable, more interesting and cheaper mining stocks in Canada," Mr. Breedon said.

In addition, "we've been confident in the U.S. dollar since January. Values in mining look cheap," he said. The firm, which has 13% in Canada, is buying the mining companies **INCO Ltd.** and **Comalco Ltd.**

Japan and the United Kingdom shifted less dramatically in InterSec's median portfolio than small Pacific Basin markets. The yen's weakening against the dollar during the second quarter caused Japan to sink as a percentage of the InterSec median portfolio, falling in U.S. dollar terms to 37.8% as of June 30 from 39.9% as of March 31. Japan's weighting in EAFE dipped to 62.6% from 64.4%.

Japan's disappointing results in the second quarter don't frighten Walter Scott & Partners, Edinburgh, Scotland, which had a near-index weighting of 60% in Japan as of June 30.

Japan needs continued increases in productivity in the manufacture of high-technology electrical components and finished goods to offset shrinkage of the work force from an aging population, according to a Walter Scott report.

"It is in Japan's national interest to maintain and encourage these areas of manufacturing excellence to which we expose our portfolios," the report said, noting the average Japanese autoworker is 10 years older than his U.S. counterpart.

Acadian has 57% to 58% in Japan — far more than the median portfolio, but still below the index weighting. Mr. Frashure said the Japanese market recovered strongly in July after a poor second quarter and the long-term trend is for strong corporate profits and real gross national product growth.

"Local market volatility in (local currency terms) is less in Japan than in the United States, which should mean higher p/es," Mr. Frashure said.

Alliance, however, like many U.S.-based international managers, has long been underweighting Japan. The market has represented only 20% to 25% of Alliance's international portfolios for a year.

As for the United Kingdom, some of the investment managers interviewed have sliced U.K. holdings, although the market's representation in the InterSec median portfolio and EAFE index changed little during the second quarter.

Acadian has only 7% in the United Kingdom because "our tactical asset allocation models have been very sensitive to rising interest rates in the U.K.," Mr. Frashure said.

Alliance cut U.K. exposure to 12.5% from 18% during January and February, Mr. Breedon noted. ■

Index based on economies

NEW YORK — Morgan Stanley Capital International has introduced an international index weighted according to the size of world economies instead of stock market capitalizations.

Called the MSCI EAFE (GDP) index, it weights countries by their gross domestic product unlike the firm's Europe Australia Far East index, which weights countries by market capitalization.

The major difference in weightings between the two indexes is a reduced weight for Hong Kong, Japan and the United Kingdom and increased weights for most other markets — particularly France, Germany and Italy.

Because of the reduced representation of Japan, the EAFE (GDP) index was up 8.8% during the first seven months of this year vs. EAFE's 12.8% increase for the same period.

EAFE (GDP), like the firm's other indexes, is to be calculated daily. ■

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President and Chief Operating Officer

Mellon Bank

Fixed income

Continued from page 1
tegies the new unit will follow, though he noted it will use domestic and international fixed-income instruments.

"Our intention is to begin to solicit fixed-income separate account business and expand our family of mutual funds offered to institutions," Mr. Shuch said.

Mr. Shuch said the company wants the organization — including portfolio managers and marketing executives — in place before soliciting separate account clients. The process will take until fall to complete.

Along with the separate account venture, he said Goldman will expand its mutual fund business. The company is investment manager for 14 mutual fund portfolios, all money-market funds, except for one intermediate-term government securities fund. Goldman markets its mutual funds to banks and trust departments, which sell them to their institutional clients. One of the funds, totaling $400 million, is offered exclusively through Centerre Trust Co., St. Louis.

Goldman began its mutual funds group in 1981. Mr. Shuch said the expansion will involve creating more fixed-income mutual funds under new strategies, which he declined to identify. The mutual fund business will continue to be based in Chicago and led by Jack Whitman, president. Mr. Shuch also oversees the mutual funds group.

Goldman also serves as administrator for a $2 billion money-market fund of Northern Trust Co., Chicago. Northern Trust manages the investments of that fund.

Although not involved in separate account asset management, Goldman has for many years actively marketed specially tailored portfolio restructuring and trading strategies to pension funds, indicating its expertise in addressing particular investment and asset-liability situations. As such, the company acts as a leading adviser in setting up structured bond portfolios, such as dedications; pension fund restructurings; and sweeping asset allocation moves, such as buying or selling baskets of bonds in program trades.

In these pension services, Goldman often works jointly with pension sponsors and their money management firms. Goldman, working jointly with National Investment Services of America Inc., Milwaukee, in 1984 helped the American Information Technologies Corp. pension fund set up a $2.4 billion dedicated bond portfolio.

Mr. Shuch had headed these activities, though in his current position he is no longer involved. ■

Scudder U.S. partner in international triad

Three major money management firms have joined forces to provide global investment management services.

The new joint venture, called IBJ Global Investment Management S.A., was formed Aug. 5 in Luxembourg. Tokyo-based IBJ Capital Management Co. Ltd., an affiliate of the Industrial Bank of Japan, owns 60% of the joint venture: Scudder, Stevens & Clark Inc., New York, and Pictet & Co., Geneva, the oldest private bank in Switzerland, each own 20%.

Under the joint venture, IBJ is responsible for investments in Japan; Scudder is charged with handling investments in the rest of the Pacific Basin, the U.S. and Canada; and Pictet is responsible for investments in Europe.

Earlier this year, Scudder arranged to exchange investment views and trainees with Mitsui Trust & Banking Co. Ltd., Tokyo; the U.S. firm also is running money for a major client of the Japanese bank.

Last year, Scudder formed a joint venture with Nippon Kangyo Kakumaru Securities Co. Ltd., Tokyo, under which Scudder provides global investment management services while Nippon Kangyo is responsible for marketing to Japanese investors.

Foreigners put

Continued from page 1
pick up.

Managers running passive equity products are Wells Fargo Investment Advisors, $765 million; State Street Bank and Trust Co., $647 million; Chase Investors, $120 million; Harris Trust and Savings Bank, $43 million; Alliance Capital, $40 million; Bankers Trust, $23 million; and IDS Advisory Group, $10 million.

In contrast, only Chase Investors reported running passive bond money, with $554 million under management.

- The leading active equity managers were J.P. Morgan, $3.7 billion; Morgan Stanley, $2.1 billion; Citicorp, $2 billion; Alliance Capital, $1.7 billion; and Batterymarch Financial Management, $1.1 billion.
- Morgan dominated the balanced manager category, with $6.8 billion under management. Following were: Citicorp, $4.5 billion; Chase Investors, $752 million; Morgan Stanley, $489 million; and Atlanta Capital Management, $463 million.
- In the fixed-income area, Fischer, Francis led all managers, with $2.2 billion. Following were: Chemical, $1.8 billion; Bankers Trust, $1.4 billion; and Chase Investors and Morgan Stanley, each with $1 billion.
- Richard Ellis led managers with real estate accounts, with $2.7 billion; Chase Investors recorded a strong second with $2.5 billion. Also running U.S. real estate portfolios for foreign investors were: Schroder Real Estate Associates, $825 million; Prudential Asset Management Group, $636 million; J.P. Morgan, $494 million; Equitable Real Estate Investment Management, $256 million; and Citicorp, $150 million.
- Of alternative investment products, The Capital Group Inc. managed $155 million in convertibles, and State Street ran $109 million in futures contracts. Three managers reported running venture capital accounts: Citicorp, with $95 million; INVESCO MIM International Ltd., $40 million; and Prudential, $6 million.
- Several managers reported running sizable cash accounts, including Citicorp, with $720 million; J.P. Morgan, $304 million; Irving Trust Co., $299 million; and Chemical, $291 million.

The survey was based on mailings to more than 650 money managers. It excluded assets invested in U.S. markets by foreign-based investment management organizations, even if they had U.S. subsidiaries. Their responses are listed separately.

In total, 61 managers responded they did have foreign assets under management. Managers were asked to include solely those assets invested in U.S. markets; where they ran global accounts, they were asked to include the target allocation to U.S. markets only.

While all provided total assets under management, a few major institutions did not provide breakdowns from what types of institutions or from which geographic areas accounts came, citing confidentiality. In those cases, *P&I Age* estimated the sources of those accounts.

For most managers, foreign-based business represents only a small portion of their overall asset management business, averaging 5% of total assets under management. Respondents had a total of $1.1 trillion in assets under management worldwide.

Some have developed foreign business into a significant portion of their overall revenues. Michael Fisher, managing director of Bankers Trust Co. — Investment Management Group, said 85% of the unit's revenues come from U.S. sources, but he expects a decrease to 50% by the early 1990s.

Bankers has increased its marketing in London and Tokyo "because of the enormous potential growth in those markets," he said.

Institutions whose foreign business invested in U.S. markets represents more than 20% of assets under management are: Burgess Capital Corp., 78.4%; Richard Ellis, 74.9%; Schroder Real Estate, 63.5%; Citicorp, 59.2%; Atlanta Capital, 34.3%; Travelers Asset Management International, 28.8%; Morgan Stanley, 26.1%; Chase Investors, 22%; and J.P. Morgan, 21%.

Some major institutions that have long-established business abroad have developed markets in a variety of geographic areas and among different kinds of institutions.

Alliance Capital's $2 billion in foreign assets under management in U.S. markets come from institutional investors in Continental Europe, Japan, Australia and the Middle East.

Some officials reported they initially had been hired to run U.S. accounts but their mandate is being expanded to global accounts.

While foreign pension funds primarily are seeking balanced managers, other types of institutional investors — such as sovereign governments, insurance companies and banks — are hiring Citicorp for global accounts instead of U.S.-only accounts, explained Robert Troxler, executive director of Citicorp Investment Management, London.

Investment experts expect the foreign influx to continue as institutions become more sophisticated, and much of that money will flow into the hands of U.S.-based money managers.

Foreign investors seek U.S. managers for investments in U.S. markets because they would know their markets better than foreign-based managers, said Charles H. Salisbury Jr., vice president and director of T. Rowe Price Associates Inc., Baltimore. ■

Foreign institutional assets managed by U.S. firms in U.S. markets
($ millions - as of 3/31/88)

	Non-U.S. assets	Equity	Fixed	Balanced	Real estate	Other	Total assets
J.P. Morgan Investment Mgmt.	11,468	3,574	223	6,774	494	304	54,741
Citicorp Investment Mgmt.	7,786	2,008	311	4,582	150	815	13,160
Chase Investors Mgmt.	4,882	555	1,631	752	2,487	47	22,172
Morgan Stanley Asset Mgmt.	3,700	2,183	1,015	489	—	182	14,188
Richard Ellis	2,700	—	—	—	2,700	—	3,986
Bankers Trust	2,647	837	1,361	241	—	208	79,389
Fischer, Francis, Trees & Watts	2,200	—	2,200	—	—	—	12,200
Chemical Investment Group	2,192	80	1,841	—	—	291	14,951
Alliance Capital Mgmt.	1,995	1,895	9	291	—	—	32,332
Prudential Asset Mgmt.	1,155	116	301	36	636	6	174,700
Batterymarch Financial Mgmt.	1,132	1,132	—	—	—	—	8,676
INVESCO MIM Int'l	1,130	600	180	250	—	40	30,850
Merrill Lynch Asset Mgmt.	1,048	306	262	418	—	—	81,000
Capital Group	939	771	13	—	—	155	36,298
Manufacturers Hanover Trust	932	—	767	165	—	—	9,200
State Street Bank and Trust	912	803	—	—	—	109	32,100
Schroder Real Estate Associates	825	—	—	—	825	—	1,300
Wells Fargo Investment Advisors	765	765	—	—	—	—	56,030
Scudder, Stevens & Clark	535	44	82	429	—	—	37,000
Atlanta Capital Mgmt.	508	28	19	463	—	—	1,483
First Boston Asset Mgmt.	484	50	434	—	—	—	4,500
Irving Trust	427	23	105	—	—	299	7,824
Confederation Life	395	395	—	—	—	—	9,000
Mitchell Hutchins	383	20	260	103	—	—	38,905
Rosenberg Institutional Equity Mgmt.	284	284	—	—	—	—	2,251
Travelers Asset Mgmt. Int'l	278	—	278	—	—	—	933
Equitable Real Estate Investment	256	—	—	—	256	—	29,553
Fiduciary Trust Co. Int'l	230	2	76	152	—	—	15,500
Templeton Int'l	208	208	—	—	—	—	12,485
Roll and Ross Asset Mgmt.	200	150	50	—	—	—	2,500
Bowey Square Investors	199	—	42	157	—	—	3,800
BEA Associates	178	86	58	52	—	—	7,495
Burgess Capital	145	145	—	—	—	—	185
Miller, Anderson & Sherrerd	145	145	—	—	—	—	15,227
IDS Advisory Group	121	87	34	—	—	—	6,143
Lazard Freres Asset Mgmt.	100	81	—	28	—	—	9,782
Others	1,890	710	145	226	—	9	205,523
TOTAL	54,561	17,971	11,129	15,618	7,558	2,385	1,084,827

Overseas advisers also eye America

Foreign-domiciled managers are taking a piece of the asset pie of non-U.S. money invested in U.S. markets.

Some of these managers have established subsidiaries in the United States to handle investment management while also marketing to U.S.-based prospective clients for investing overseas.

Their foreign connections give them a leg up in building on existing institutional business.

As of March 31, U.S. subsidiaries of foreign-domiciled money managers with at least $100 million invested in U.S. markets for foreign clients included:

- Nikko & Associates Inc., New York, a subsidiary of Nikko International Capital Management Co. Ltd., Tokyo. The firm ran a total of $920 million for foreign institutional investors, of which $349 million was for Japanese clients.
- G.T. Capital Management Inc., San Francisco, invests $573 million in U.S. markets for foreign clients. Half of the firm's assets came from the United Kingdom, where its parent, G.T. Management PLC, is based.
- Nomura Capital Management Inc., New York, a unit of Nomura Investment Management Co. Ltd., Tokyo, which managed $354 million in U.S. markets, mostly for Japanese clients.
- Daiwa International Capital Management Corp., New York, which invested $212 million on the behalf of foreign clients. Twenty-seven percent of those assets are from Japanese investors. The parent company is Daiwa International Capital Management Co. Ltd., Tokyo.
- Deutsche Bank Capital Management (USA) Corp., New York, a subsidiary of Frankfurt-based Deutsche Bank. The firm invested $176 million in U.S. markets for clients from various locations.
- Warburg Investment Management International Ltd., a unit of Mercury Asset Management Ltd., London. Warburg ran $100 million in U.S. markets. Three-quarters of the firm's assets came from Canada, with the rest coming from Bermuda. ■

9/2/88 C2710-2

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PENSIONS & September 5, 1988

Investment Age

The newspaper of corporate and institutional investing $4.50 an issue • $90 a year

Tactical allocation soars

Largest tactical asset allocation managers

Firm	Amount ($ mils.)
Wells Fargo	9,127
Prudential	7,100
Mellon Capital	6,000
First Chicago	4,500
TSA	3,000
Boston Co.	2,300
Renaissance	1,510
Avatar	1,300
Citibank	1,250
Bankers Trust	1,050
J.P. Morgan	500
Chase Investors	300
Ballard Biehl & Kaiser	200
Matrix	187
Webster	50
TOTAL	38,374

Source: *Pensions & Investment Age*

By Carol Wiley

Tactical asset allocation managers have $38.374 billion under management in the product, an increase of 41% from last year.

Fifteen managers with a specialty in tactical asset allocation surveyed by *Pensions & Investment Age* reported assets of $27.214 billion last summer. The managers also gained 138 pension fund clients during the 12 months ended Aug. 30, bringing the total number of tactical asset allocation clients to 838.

Tactical asset allocation comprises quantitative and model strategies to make short-term switches among asset classes — traditionally stocks, bonds and cash equivalents, although lately new classes are being added — in an attempt to add value in varying market conditions. Futures or index funds are used to achieve the shifts. Some pension funds use only futures and options overlays to achieve the effect of moving the assets.

Wells Fargo Investment Advisors, San Francisco, reported the most in tactical asset allocation, $9.127 billion, an 86.9% increase from $4.882 billion as of July 31, 1987. The firm added 38 clients during the period, bringing its total to 107.

The firm with the most growth for the year, however, was The Boston Co., Boston, which experienced a 133% gain to $2.3 billion under management from $987 million as of June 30, 1987. The number of clients increased to 25 from 12.

The Boston Co., and tactical asset allocation managers in general, continued to add clients because of the disappointing results of portfolio insurance during the Oct. 19 market crash; the awareness that asset allocation adds value; and the realization that asset allocation is the "single biggest" factor in determining performance, according to Richard Crowell, senior vice president and manager of structured investment products at The Boston Co.

Patricia Dunn, president of Wells Fargo, concurred.

"There's a renewed focus on the importance of the asset class decision and realizing after Oct. 19 that it's the asset class that explains 90% of the return, not the securities themselves," Ms. Dunn said. "That's not to say that it doesn't matter what security you're in; it's a first order, second order thing."

Interest continues to grow because tactical asset allocation now can take on the global markets, according to Gary Brinson, president of First Chicago Investment Advisors, which has offered an asset allocation product since 1981, and now has $4.5 billion under management in the product, up from $3.75 billion July 31, 1987. Clients now number 62, up from 57 last year.

Continued on page 59

Surplus used to pare debt

By Marcia Parker

AKRON, Ohio — The Goodyear Tire & Rubber Co., which is in the midst of a comprehensive restructuring campaign, is using $400 million in surplus assets from a terminated retirement plan for salaried employees to pare down $3.6 billion in long-term debt.

Like many companies with excess assets in their pension funds, Goodyear is prompted to move now with the reversion because the federal government's termination policy is in flux. The reversion comes at a time when Congress is wrestling with a long-term termination policy and the thorny question of whether excess assets belong to the sponsor or the beneficiaries. Lawmakers are considering slapping a 60% excise tax on pension plan reversions occurring during the next nine months until a new policy is fashioned (*Pensions & Investment Age*, Aug. 8).

The world's largest tire company has been restructuring its capitalization and businesses since 1986 (*P&I Age*, Aug. 8).

The company was consolidated under two worldwide divisions, tires and general products. The move was designed to result in a more streamlined, flexible and responsive management structure.

In addition, Goodyear has completed a major share repurchase program, sold $1.7 billion of businesses and assets not related to its core businesses of tires and rubber products and related chemical and plastic products, closed non-competitive plants and taken a number of steps to reduce costs. Goodyear's chief financial officer Oren G. Shaffer said debt reduction has been a constant goal and although it has been pared down some, he acknowledged the company is still highly leveraged.

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INSIDE

Treasurers' endorsement — P.21

Bechtel pioneers

New asset categories show way

By Barry B. Burr

SAN FRANCISCO — Bechtel Power Corp. plans to adopt a pioneering global tactical asset allocation strategy for part of its $1.2 billion pension fund and include such alternative asset classes as international securities and newly created indexes of gold-mining stocks and real estate investment trusts.

Bechtel hired Bailard Biehl & Kaiser Inc., San Mateo, Calif., to control the portfolio's tactical asset allocation.

James E. Rhodes, investment manager at Bechtel, said Bailard Biehl was assigned $25 million for the TAA strategy.

"I'm sure if things work out we will allocate more to BBK," Mr. Rhodes added.

He expects the fund to begin using Bailard Biehl's TAA model in "the next month or so. We are still working out some details."

"This is a global approach to tactical asset allocation,"

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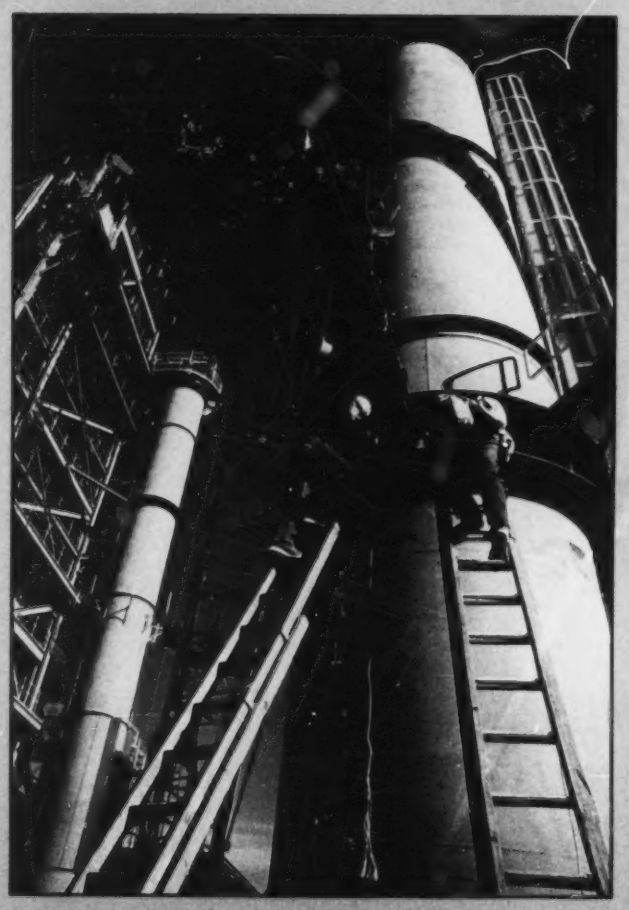

Bechtel, part owner of this cogeneration power plant in Bakersfield, Calif., placed $25 million in a global tactical asset allocation strategy with an unusual array of alternatives.

LATE NEWS

Simpson restructuring nets 11

SEATTLE — Simpson Investment Co. added 11 managers and reassigned assets to four existing firms, restructuring its $185 million defined benefit pension fund. One manager was terminated as a result of the changes.

Simpson, the holding company for Simpson Timber Co. and Simpson Paper Co., restructured the plan after asset allocation studies, started in 1987, were completed.

Under the new strategy, 46% of total assets will be in tactical asset allocation programs run by Mellon Capital Management Inc., San Francisco; TSA Capital Management, Los Angeles; The Boston Co. Inc., Boston; and INVESCO Capital Management, Atlanta. TSA and The Boston Co. are new managers. Mellon and INVESCO previously managed equities.

Real estate equity, 12% of the fund, will be managed by J.P. Morgan Investment Management Inc., New York, and Frank Russell Trust Co., Tacoma, Wash., both new managers.

Small-cap stocks, 11% of the fund, will be run by Brandywine Asset Management, Wilmington, Del.; Fisher Investments Inc., Woodside, Calif.; and RCM Capital Management, San Francisco. Brandywine and Fisher are new managers. Large-cap stocks, 10% of the assets, will be managed by RCM, Olympic Capital Management Inc., Seattle, and INVESCO. All three were large-cap managers for the fund.

International equities, 8% of the asset mix, will be managed by Schroder Capital Management International, New York, and PCM International, Newark, N.J. Both are new managers. Special situations, 7%, will be managed by new manager Hellman & Friedman, San Francisco.

Fixed income, 6% of the fund, will be run by Dimensional Fund Advisors, Santa Monica, Calif., and Neuberger and Berman, New York. Both are new firms.

Mark Duvall, financial analyst at Simpson, declined to release the amounts allocated to each manager as well as the name of the released balanced manager. The 1988 Money Market Directory lists Columbia Management Co., Portland, Ore., as the fund's only other balanced manager.

Wurts, Johnson & Co., Seattle, assisted in the searches.

Baer acquires share of Harbor

BOSTON — Baer Holding Ltd. of Zurich, Switzerland, has acquired a 15% interest in Harbor Capital Management Co. Inc., Boston. Terms of the deal could not be learned by press time.

Harbor Capital manages $1.6 billion, of which $1.2 billion is for tax-exempt clients. Baer Holding is the parent of Julius Baer Investment Management Inc., New York, which manages $750 million in tax-exempt assets.

Leasing volume rose during '87

ARLINGTON, Va. — The volume of new business for equipment leasing companies increased in 1987 to $33 billion from $24 billion the previous year, a survey by the American Association of Equipment Lessors shows.

Total leasing volume in 1987 is estimated between $90 billion and $95 billion, compared with the 1986 figure of between $80 billion and $85 billion.

The survey noted there was less growth in leveraged leasing because of the lower tax rate and loss of some tax credits.

Funds report manager changes

•AMHERST, Ohio — The Nordson Corp. pension fund and Nordson Foundation have restructured their investments, reallocating about $60 million and hiring four managers, said Raymond L. Cushing, corporate cash manager.

Hired were Disciplined Investment Advisors Inc., Evanston, Ill., and National City Bank of Cleveland, for equities: Patterson Capital Corp., Los Angeles, for fixed income, and Avatar Associates, New York, for tactical asset allocation. Mr. Cushing declined to state the allocation to each manager and the total assets of either fund, but said funding came from a balanced account with the Beachwood, Ohio, office of Alliance Capital Management Corp. DeMarche Associates, Kansas City, Mo., did an allocation study for the fund.

• BRONXVILLE, N.Y. — Sarah Lawrence College, with $11 million in its endowment fund, hired two managers for a total of $4.5 million, said David Klein, director of finance and controller.

The college hired The Common Fund, Fairfield, Conn., to manage $2.5 million in a South Africa-free bond fund, and Avatar Associates, New York, to run $2 million in tactical asset allocation between equities and cash. The assets had been run in a balanced account by Auchincloss & Lawrence Inc., New York.

• LOS ANGELES — The $4 million Dawson Co. pension and profit-sharing funds hired Cullen Fortier Asset Management, Woodland Hills, Calif., for a balanced account, replacing Harold Davidson & Associates, Los Angeles, said Bob Uchimura, controller.

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Vol. 16, No. 19 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207. Copyright 1988.

Big play, small stocks

Wisconsin's 5% holdings

By Barry B. Burr

MADISON, Wis. — The State of Wisconsin Investment Board is buying big pieces of small stocks: large enough chunks to require what's becoming a steady stream of 13(d) filings with the Securities and Exchange Commission.

In the first 22 days of August alone, the internally managed, $15.6 billion pension fund made filings with the SEC to disclose holdings of 5% or more in 11 companies.

The 11 companies comprise almost 10% of the market value of the fund's $1 billion small-capitalization stock portfolio.

Buying such relatively large holdings resembles an investment posture of the $16.1 billion Michigan State Employees' Retirement Systems, Lansing. The Michigan fund often holds more than 5% of a stock.

Commenting on taking the large positions, Kevin A. Schmitting, assistant investment director of the Wisconsin board, said, "We do that frequently because of size considerations of some of these small companies."

Mr. Schmitting estimated the board has 25 to 30 filings outstanding. But the filings for August indicate the number possibly is higher. Mr. Schmitting declined to discuss strategy or release any details about the recent filings and the exact number of such large holdings in the portfolio.

Investors must file 13(d) statements with the SEC when their ownership reaches at least 5%. The filing also indicates whether the investor might seek to exert influence in the management or policy of the company.

Only stocks of $500 million and less in market capitalization are eligible for the Wisconsin fund's small-stock portfolio, Mr.

Continued on page 5

The Wisconsin Investment Board has a habit of buying large holdings of small stocks, such as Toro Co. In the first 22 days of August, the fund revealed holdings of 5% or more in 11 companies.

Earnings, pension cost tied

NEW YORK — Almost half of the annual rate of gain in pre-tax earnings reported by companies in the Standard & Poor's 500 stock index in 1982-'87 came from a $15 billion decline in annual pension expense during the period.

While reported pre-tax profits of the S&P 500 companies grew at a 4.8% annual rate during the 1982-'87 period, 44% of that annual gain came from the reduction in annual pension expense, according to an analysis by George H. Boyd III, a security analyst at Kidder Peabody & Co. Inc.

"The decline in pension expenses charged to the income statement has been an important ingredient in supporting reported earnings over the past five years," Mr. Boyd said.

"Pension expenses represented 18.1% of pre-tax profits of the S&P 500 in 1982. Subsequently, the appreciation in the market, which has positively affected pension portfolios, and the implementation of FASB 87, have contributed to a sharp reduction in the pension expenses of the majority of corporations."

In addition, Mr. Boyd said,

Continued on page 58

Venture cap matching '87

By Trudy Ring

Pension funds committed the same amount to venture capital during the first six months of 1988 as in the first half of 1987, despite concerns the Oct. 19 stock market crash would dampen investors' enthusiasm for venture deals.

Commitments to private, independent venture capital partnerships totaled $1.372 billion for the first half of 1988, almost exactly the same as 1987's first-half total of $1.374 billion, according to Venture Economics Inc., Wellesley Hills, Mass. Pension funds' share of the commitments was about 48% in both periods. For all of 1987, commitments totaled a record $4.2 billion, with pension funds contributing 39%.

"The thing we were all wondering about is if we would see any pullback as a result of Oct. 19," said Linda Vincent, vice president of Venture Economics. Immediately after the crash, there was concern the resulting tightening of the initial public offering market and increased investor conservatism would discourage venture capital investment.

But at Venture Economics' annual industry conference, held 10 days after the stock market plunge, participants said the phenomenon made diversification more important than ever and pointed out venture capital has a low correlation to the public equity market, Ms. Vincent said. In light of that, she's not surprised by the first-half numbers.

Other consultants agreed. "I would be surprised if there was a really big jump," said Doug Patejunas, consulting manager at Ennis, Knupp & Associates Inc., Chicago. "But, I wouldn't think there would be a reaction to pull back just from that single event."

"If there is any of that (conservatism) there's going to be an increased emphasis on diversifying," said Doug Le Bon, vice president-special investments division at Wilshire Associates, Santa Monica, Calif.

Venture Economics' data did indicate public pension funds' share of venture capital commitments increased while corporate funds' share decreased. Public funds generally are newer to venture investing and still working toward their target levels, while many corporate funds have reached the targets, Ms. Vincent said.

Public funds committed $280 million during the first half of 1988, up from $184 million during the same period of 1987, according to Venture Economics. Corporate and other private pension funds committed $382 million during this year's first half, down from $467 million for the first six months of 1987.

One public fund that made its first venture capital commitment during the first half of 1988 was the $500 million Seattle City Employees' Retirement System, which earmarked $6 million for

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Managing Director

(203) 254-6800

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Penney sets up leveraged ESOP

By Fred Williams

DALLAS — J.C. Penney Co. has replaced its 50-year-old employee savings and profit-sharing plan with a $700 million leveraged employee stock ownership plan and will use the proceeds of its loan to purchase up to 9% of the company's outstanding common stock in an effort to bolster its stock price.

The company will redirect its annual contribution from the savings plan to the LESOP. The 1987 contribution was $50 million.

According to Harvey McCormick, manager of corporate relations at J.C. Penney, the savings plan will be suspended and the $1.6 billion in assets will continue to be credited and accrue in existing employee accounts. The new plan will be a follow-on plan effective at year end, he said.

The company's defined benefit plan, with assets of $1.7 billion, is not affected by the change.

Under the terms of the J.C. Penney program, the LESOP trust borrowed $700 million from a group of insurance companies at an interest rate of 8.17% for 10 years.

The LESOP used the proceeds of the loan to purchase a new issue of convertible preferred stock from the company. The preferred stock is convertible into approximately 11.8 million shares of J.C. Penney common stock, about 9% of the current outstanding shares. The existing savings plan owns about 15% of the company's common stock, said Mr. McCormick. The dividend yield on the preferred stock is 7.9% compared with approximately 4% on the company's common stock. The conversion price is set at $60 per share. The common stock was trading at $46.25 as of the end of August.

Under the old saving plan, the company offered three investment options to employees: company stock, fixed income or common stock. The company contribution was in common stock. In the new plan, the same options exist, but J.C. Penney now will contribute preferred stock, Mr. McCormick said.

As part of the program, the J.C. Penney board of directors authorized the company to use the proceeds from the issuance of preferred stock to purchase up to 15 million shares of common stock as part of an expanded stock buyback program undertaken by the company in 1987. The company is purchasing up to 20 million shares on the open market. As of July 30, the company had purchased 19.1 million shares.

According to a statement from William R. Howell, chairman of the board, J.C. Penney is attempting to improve its operating performance.

He said the combined LESOP and stock repurchase program is expected to increase cash flow, earnings per share and return on equity "as well as provide our associates (employee participants) with a more attractive benefit plan." ■

CORRECTIONS & CLARIFICATIONS

• The **Pension Benefit Guaranty Corp.** performs its statistical analysis based on termination lists it provides to Congress and not on a separate list of statistics, according to Richard Ippolito, chief economist for the PBGC.

Data provided to Congress, however, list terminations according to the date the pension plans filed for termination. The PBGC figures its statistics according to the date the termination was completed, which is why differences can occur, Mr. Ippolito said.

An incorrect statement by a PBGC spokesperson that the data supplied to Congress was inaccurate led *Pensions & Investment Age* to report in the July 25 issue that the PBGC kept two sets of data, one for Congress and one from which it derived its statistics.

• The projected benefit obligation of **Navistar International Corp.** was $2.4 billion as of Jan. 1, 1987. An incorrect figure was cited in the chart of the top 100 corporate pension funds that appeared in the July 25 issue.

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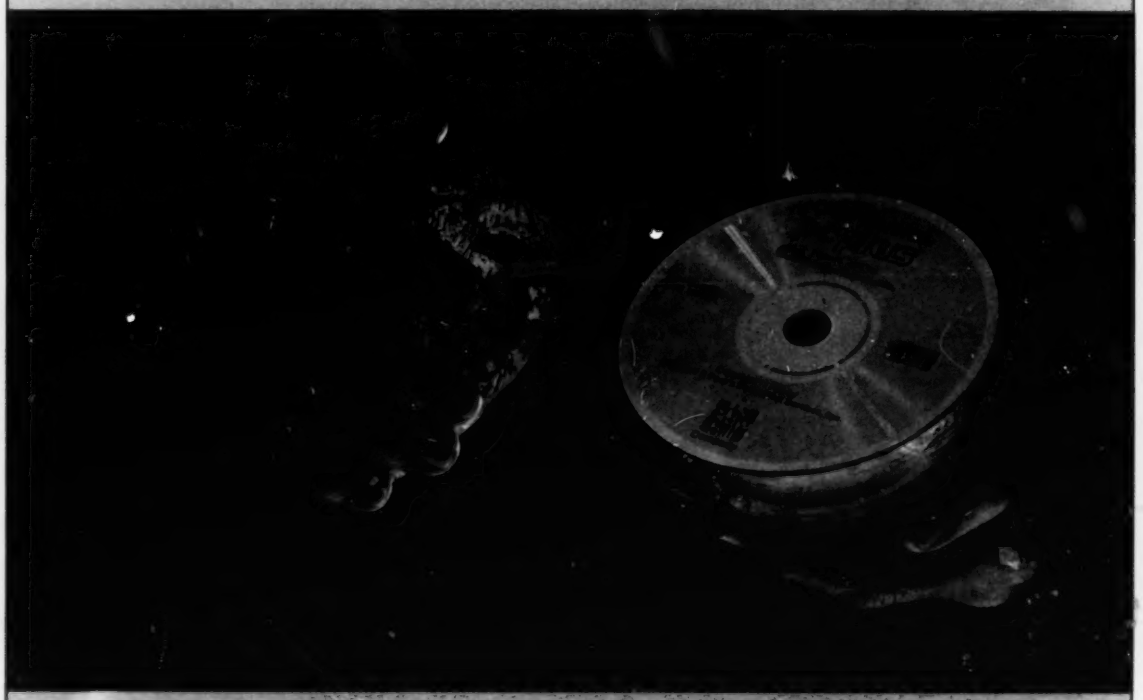

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PIPER

Tapping takeovers

2nd-quarter leaders find stocks in play

By Curtis Vosti

Takeover stocks once again played a prominent role in bank and insurance company commingled special equity funds that were the top performers in the Pensions & Investments' Performance Evaluation Report for periods ended June 30.

Overall, special equity fund performance lagged that of the first quarter, and many fund managers reported increased cash positions as the third quarter began.

The median performance of PIPER's universe of 109 special equity funds returned 6.6% for the second quarter, compared with a 12.2% median performance for a PIPER universe of 106 funds in the first quarter.

The $5 million, 3-year-old special equity fund of First City Texas, formerly First City National Bank of Houston, topped the PIPER special equity category for the quarter, returning 15.6%. The Standard & Poor's 500 stock index returned 6.7% for the quarter, while the Russell 2000 index returned 7%.

The First City Texas fund also placed third for the year, with a return of 24.6%. For the same period, the PIPER median was −2.4%, the S&P 500 returned −6.9% and the Russell 2000 returned −6.5%.

Ted Davis, First City's senior vice president and chief investment officer, said the bank looks for stocks based on pure earnings and price momentum. "People use it for timing," he said. "We usually nail down profits pretty quickly."

The fund's investment managers wait for a temporary fall in a stock's price as other investors take initial profits — then pounce on the stock.

"You always get a second chance," Mr. Davis said.

Recent buys include **First Executive Corp.**, **MCI Communications Corp.** and **Farmers Group Inc.**

Mr. Davis said the fund had some luck with takeover stocks, including **Intermedics Inc.** and **Armtek Corp.**

Going into September, Mr. Davis said, the fund is 40% in cash. "It didn't look like anything was appropriate to buy."

The Supplemental Equity Fund of Connecticut National Bank, Hartford, finished second, as it did for the previous quarter, with 13.6%. The fund was the only one to finish among the top five for both quarters this year.

"For a long time, it's been a stock pickers market," said Peter Larson, Connecticut National's vice president.

He said the fund is a bit cautious, even defensive, as it entered the third quarter and recently bought insurance stocks such as **Provident Life and Accident Insurance Co. of America** and **20th Century Industries.** The fund's 6% cash position, while not a high level, reflects an uncertainty about the third quarter, Mr. Larson said.

The fund concentrates on finding cheap stocks that have value potential, he said.

Some of the better second-quarter performers include **Software Publishing Corp., Intermedics Inc.** and **Vanguard Technologies Inc.** The latter two were long-term holdings that were bought out during the second quarter.

First Wisconsin Asset Management, Milwaukee, a subsidiary of First Wisconsin Trust Co., ranked third for the second quarter with a 12.3% return on its Emerging Growth fund.

Joe Docter, assistant vice president, said the fund has $11.4 million invested, with 24 stocks in the portfolio at all times.

The fund's managers target stocks of relatively new companies that have a growth rate one-half to two-thirds of the price-to-earnings ratio and usually sell the securities when they reach 100%, he said.

The fund has recently sold some of its holdings, including **Juno Lighting Inc.** and **Mayfair Super Markets Inc.** A strong performer has been **A.M. Castle**, while buys include **Helen of Troy Corp.**

Special equity funds
(periods ended June 30, 1988)

	1st qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	15.6%	29 %	50.9%	38.8%	25.7%
First quartile	8.5	3	18.2	12.5	19.1
Median	6.6	−2.4	14.3	8.7	17
Third quartile	4.6	−7.3	10	4.6	15.4
Lowest return	0.5	−21.3	0.2	−3.1	11.6
S&P 500	6.7	−6.9	16.6	14.6	16.4
Russell 2000	7	−6.5	10.5	6.2	NA

For the longer periods, the Select Equity Fund offered by NCNB Texas National Bank, formerly FirstRepublic Bank, Dallas, continued to top the list, with returns of 29% for the one-year period and annualized returns of 50.9% and 38.8% for the three- and five-year periods.

The top listings are due in part to returns of 69.5% in 1987 and

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